



November 21, 2017

**MEMORANDUM**

To: David Curry, Instructional Director  
Cluster II

BernNadette Aisha Mahoney, Principal  
Bladensburg High School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for June 1, 2013 through June 30, 2017

An audit of the financial records of Bladensburg High School was completed for the period June 1, 2013 through June 30, 2017. 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 policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As 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 APM. Please note that you are required to provide your action plan using the attached Microsoft word template and any other correspondence to the Internal Audit Office, Attention: Jerry Chandler, Business Analyst, email address: [jerry.chandler@pgcps.org](mailto: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](mailto:deborah.smalls@pgcps.org).

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

Enclosure

cc: Segun Eubanks, Ed. D., Board Chair  
Kevin Maxwell, Ph.D., Chief Executive Officer of Schools  
Carolyn Boston, Vice Chair, Board of Education  
Patricia Eubanks, District 4, Board of Education  
Erica Berry Wilson, Esq., Board Executive Director  
Raymond Brown, Chief Financial Officer  
Monique Whittington-Davis, Ed. D., Deputy Superintendent  
Denise Green, Ed. D., Associate Superintendent, Area I  
Kelvin Campbell, Internal Auditor II

**Internal Audit Report**

**Bladensburg High School  
Student Activity Funds**

**For the Period Ended June 30, 2017**

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

**Table of Contents**

INTERNAL AUDITOR’S REPORT.....	2
SUMMARY.....	3
OBJECTIVES.....	3
SCOPE.....	3
FINDINGS AND RECOMMENDATIONS.....	4
STATUS OF PRIOR AUDIT FINDINGS.....	14
ACKNOWLEDGEMENT.....	15

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Bladensburg High School for the period June 1, 2013 through June 30, 2017. Bladensburg 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 Disbursements,*
- *Mismanagement of Funds Received,*
- *Administration of Sales Tax,*
- *Year-End Monetary Transmittal Form Envelopes Submission Process,*
- *Excessive Spending in Restricted Accounts,*
- *Vending Machines*
- *Disposition of Senior Class Accounts*
- *Membership Cards*
- *Collection of Funds*
- *Inappropriate Use of Advance, Reimbursement and Refund Vendor Options*
- *Improvement Needed in 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 June 30, 2017.



Michele Winston, CPA, Director  
Internal Audit

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

**SUMMARY**

The Internal Audit Department has completed an audit of the student activity funds (SAF) for Bladensburg High School for the period June 1, 2013 through June 30, 2017. The audit was conducted as part of the department's 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 is in compliance with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit 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 bank statements, financial reports, selected cancelled checks, and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff, for the period June 1, 2013 through June 30, 2017. Also selected receipts, disbursements and supporting documentation were reviewed for the said period.

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations

**2018.01 Mismanagement of Disbursements**

The audit revealed that **47** of the **50** cash disbursements reviewed were *not* processed in accordance with BOE policies and procedures. Some transactions had multiple noncompliance or internal control weaknesses. The following exceptions pertaining to management of disbursements were noted:

- A. ***Inadequate Supporting Documentation*** – There were **7** instances where disbursements were not properly substantiated by invoices and/or store receipts. The funds available line on School Funds Expenditure Forms (SFEFs) was *not* completed for **47** transactions. There were also **3** instances where documentation to substantiate checks issued could not be located.
  
- B. ***Inadequate Approval*** - There were **7** instances where expenditures were not adequately approved. The SFEF fields for pre-approval were either not signed by the principal or were signed after purchases were made.
  
- C. ***Delinquent Vendor Payments*** – There were **4** instances where payments to vendors were delinquent. The delinquency ranged from 8 to 148 days.
  
- D. ***Voided Checks*** - During the review of the school’s voided checks, the following exceptions were noted:
  - a. There were **14** voided checks that could *not* be located.
  - b. There were **13** voided checks that were *not* entered into the accounting system.
  - c. SFEFs and Void Check Proof Sheets (VCPS) were *not* completed and approved by the principal for **22** disbursements.
  - d. There was **1** check *not* properly voided by removal of the signature line.
  
- E. ***Advance Checks*** - There were **14** instances where advance checks were issued without signed statements acknowledging receipt of the advance check.
  
- F. ***Contracts*** - There were **2** instances where contracts were not signed by the principal. The unsigned contracts were for catering and disc jockey for the school’s homecoming dance.

The APM, Section 4.5.3, *Cash Disbursements* Section 6.0, *Fund Raisers* and Section 8.13 *Record Retention*, include the following provisions:

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

- A. All checks must have **original, itemized** documentation attached to the SFEF that supports the amount of the check. Examples of supporting documents include cash register receipts, invoices, bills of sale, etc. Examples of documents that are not itemized invoices or receipts include credit card receipts, statements, and packing slips. The principal should review invoices and statements for past due amounts and ensure that payments are made in a timely manner. According to the *Record Retention* policy, "all SAF records must be retained for a period of 7 years and or until audited.
- B. Prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal.
- C. Invoices are required to be paid within 30 days of receipt or by the invoice due date. Principals should review invoices and statements for past due amounts and ensure that payments are made in a timely manner.
- D. All voided checks must be defaced, filed in check number order with cancelled check images, and entered into the accounting system. SFEFs/VCPS must be completed and approved by the principal for these voided checks.
- E. When situations arise requiring a check to be issued before an expense has occurred, checks issued are required to be treated as advances to staff. The staff member must sign a statement acknowledging receipt of the advance. Staff members should also be required to return itemized receipts for the amount advanced.
- F. The principal, as the fiduciary agent of the school, must approve and sign all agreements and contracts entered into for all school activities.

The bookkeeper did not follow established internal controls relative to management of disbursements. SFEFs were accepted from staff that were incomplete and/or lacked adequate supporting documentation. Also, the bookkeeper failed to research the balance available on the relevant account and record that amount on the SFEF. An adequate filing system was not properly maintained to ensure all financial records were adequately maintained. It appears that both the principal and the bookkeeper have not read the APM.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and the staff. Approving purchases without adequate documentation or failure to adequately approve expenditures could result in payment for goods and services that were not received and increases the school's vulnerability to potential misuse or waste of resources. The risk of insolvency is present when the available funds amounts are not determined prior to approval of purchases. Delinquent payments of invoices could result in the vendor placing the BOE's account with a collection agency where significant collection fees could be assessed. Failure to properly void checks could result in unauthorized negotiation of checks. When recipients of advances are not required to sign an acknowledgement, accountability is reduced for the funds received. When the principal who is

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

the fiduciary agent of the school does not responsibly enter into contractual agreements on behalf of the school, the school's resources may be inappropriately obligated and the risk of insolvency increased.

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

- A. Supporting documentation deemed acceptable for substantiating disbursements must consist of receipts or invoices substantiating the amounts expended that are properly maintained to ensure retrieval.
- B. The principal must ensure staff members are aware that pre-approval is required prior to the purchase of products or services and be held accountable for compliance. SFEFs should be entirely completed by staff. The principal should ensure all pre-approval details are provided on SFEFs prior to approving expenditures.
- C. The bookkeeper must ensure vendor payments are issued timely, within 30 days of receipt or by due date on invoice.
- D. Internal controls to ensure that all voided checks are defaced, filed in check number order with cancelled check images, entered into the SFO accounting system and VCPS approved by the principal must be established. The principal should perform periodic oversight to ensure this process is performed.
- E. Advance checks must be substantiated by signed statements as acknowledgement of receipt of the funds and to help establish accountability.
- F. Internal controls must be established to ensure that the principal, as the fiduciary agent of the school, approves and sign all agreements and contracts entered into for all school activities.

**2018.02 Management of Funds Received**

There were **54** cash receipt transactions that were **not** processed in accordance with BOE policies and procedures. The following exceptions pertaining to management of funds received were noted:

- A. ***Monetary Transmittal Form Documentation*** – There were **49** instances where MTFs were not properly supported or documented. Specifically:
  - a. There were **29** instances where cash receipts were not properly supported (incomplete MTFs or no supporting documentation).



Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

- b. There were **4** instances where the supporting documentation did not agree with the amounts documented on the MTF.
  - c. There were **9** instances where changes made to MTFs were not done according to the MTF instructions.
  - d. There were **7** instances where MTFs to substantiate collection of SAF were not made available.
- B. ***Delinquent Deposit*** – There were **14** instances where deposits were not made in a timely manner. The delinquency range from **4** to **112** days.
- C. ***Fundraiser Forms Not Completed*** - The required fundraising forms were not completed for all fundraising events held during the audit period.

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

- A. MTFs should be supported with student remittance forms, fundraiser forms or other documentation that shows the source and purpose of funds. All funds collected should be remitted to the bookkeeper and properly supported with approved MTFs. All SAF is required to be deposited in the form received. Sections 1 and 2 of the MTF must agree and be completed. Changes and alterations made to MTFs require initials.
- B. Bookkeepers 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. If funds are kept on-hand at the school awaiting deposit, it must be kept in a secure location. It is important that schools establish internal controls to ensure frequent deposits occur.
- C. Clubs and organizations are required to complete the Fundraiser Request and Authorization Forms, Fundraiser Completion Reports and the principal or designee prepare annual reports summarizing fundraising events held during the school year. These documents must be maintained on file for public and auditor review upon request.

BOE policies and procedures as established in the APM were not followed. The bookkeeper did not perform verification and maintenance of all MTFs and supporting documentation prior accepting MTFs and making deposits. The filing system for financial records was inadequately maintained by the bookkeeper and oversight was not provided by the principal to ensure retention of all cash receipt documentation. Funds were held by teachers, who failed to adhere to the same day remittance requirement, prior to remittance to the bookkeeper. The requirement for completion of fundraiser forms was not communicated to fundraising sponsors. The principal did not perform or designate the summarization of fundraising activities for the audit period due to competing priorities.

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

Failure to adequately perform bookkeeping responsibilities over the processing of funds received constitutes noncompliance with the requirements of the APM. Audit evidence for ensuring all funds collected were subsequently remitted and deposited was not available. Delinquent deposits of funds impacts the accuracy of financial reporting upon which administrators rely to make financial decisions. Failure to initial changes on MTFs removes responsibility from the person making the change and impacts the audit trail. Failure to complete fundraising forms removes audit evidence sufficient to provide administrators and interested personnel with information about fundraising results.

**Recommendation:** The following corrective actions should be implemented to ensure cash receipts are administered in accordance with BOE policies and procedures:

- A. The bookkeeper must ensure that all MTF documentation is complete including verifying that all supporting documentation is attached along with the MTF prior to acceptance and deposit of funds. The bookkeeper should not accept the MTF if changes are not initialed.
- B. The principal must ensure proper custody of all records relating to SAF until they are audited. The bookkeeper must establish an appropriate filing system to help ensure that financial documents are available for retrieval upon request.
- C. The bookkeeper must be reminded that all funds collected and remitted should be deposited on a daily basis especially funds in excess of \$250.00. Teachers must be informed that funds collected cannot be held overnight. The principal must provide the bookkeeper with adequate time to verify that funds collected are as indicated on the MTFs submitted and that deposits are made with the bank timely. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required. The principal should hold all staff accountable for compliance.
- D. The principal must establish internal controls to ensure that staff completes the required fundraising forms for fundraising events held. These documents must be maintained on file for public and auditor review upon request.

**2018:03 Administration of Sales Tax**

The following exceptions pertaining to management of sales tax were noted:

- ***Sales Taxes Not Collected:*** There were **3** instances where sales taxes were not collected on taxable transactions in accordance with BOE/State of Maryland policies and procedures.

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

- **Related Sales Tax Noncompliance:** Related noncompliance for sales taxes were noted as follows:
  - **Delinquent Sales Tax Remittance:** The sales tax account detail for the period January 1, 2015 through 6/30/17 shows sales tax for **\$7,068.30**. However **\$3,693.89** or **52%** of that amount represents unremitted sales taxes that related to FY 2014.
  - **Non-Collection/Remittance of Sales Tax:** There was no collection or remittance of sales tax during FY 2015 even though the school had taxable transactions.
  - **Recording of Sales Tax:** During FY 2016, \$1,110.60 in sales taxes from taxable transactions was transferred to the sales tax account instead of being posted directly to the sales tax account as required by the APM.

The APM requires adherence to Maryland Comptroller of the Treasury regulations when the school engages in resale of taxable items. This involves collection and remittance of sales tax for merchandise sold.

Staff members collecting funds are not documenting sales tax on the MTF. Also, the bookkeeper does not identify sales taxable transactions. This has led to BOE policies and procedures requiring remittance of sales taxes to the State of Maryland and the reimbursement of sales tax not being followed and the school being in violation of the State of Maryland policies on sales tax.

This places the BOE in a position of possibly being assessed penalties and interest for failure to remit sales taxes. The students of the school are not receiving the full benefits of the resources which would otherwise be available to them.

**Recommendation:** The bookkeeper should ensure the appropriate sales tax is collected and remitted to the State of Maryland for all applicable sales taxable items sold by the school. The bookkeeper should review AP 5137 to become familiar with sales taxable items.

#### **2018.04 Year-End Monetary Transmittal Form Envelopes Submission Process**

The year-end MTF submission and collection process is not operating as required by the policies outlined in APM. There were **12** instances where MTF remittance copies could not be located.

According to the APM, each staff member who collected SAF is responsible for maintaining an envelope containing both pink and yellow copies of MTF remittances generated during the year. The staff member is required to submit the signed, sealed envelope to the designated

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

administrator prior to the year-end check out. The envelopes should remain sealed until requested by Internal Audit.

It does not appear that any documented training was provided to the staff relative to the year-end MTF envelopes submission process. As such, policies and procedures regarding MTF submission during the year-end check out process were not followed. The audit trail for ensuring that all SAF collected were subsequently deposited was weakened and the potential for loss of assets increased.

**Recommendation:** Staff must be reminded of their responsibility relative to MTF envelopes submission during the year-end process. The bookkeeper should print the “*Receiptee History*” report from the accounting system and provide same to the administrator responsible for collecting MTF envelopes at year-end. The principal should instruct the administrator to obtain MTF envelopes based on the printed report. Also, each employee must be held accountable for returning MTF envelopes as part of the year-end check out process.

**2018.05 Excessive Spending in Restricted Accounts**

The SAF has 20 restricted fund accounts with deficits totaling **(\$18,157.76)** as of June 30, 2017. The following is a listing of top 4 fund accounts with deficits:

- The Pom Poms fund account had a deficit of **(\$5,519.31)**,
- The Yearbook fund account had a deficit of **(\$4,685.35)**,
- The BOE to Reimbursement account had a deficit of **(\$1,946.79)** and
- The Physical Education Uniforms and Equipment fund account has a deficit of **(\$1,387.11)**.

Expenditures for all restricted accounts are limited to the amount of funds collected for those activities. When restricted expenditures exceed the available cash in the respective fund account, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure all accounts are solvent at all times.

The principal and the bookkeeper did not monitor accounts to ensure that restricted accounts maintain positive balances. Spending occurred in excess of available funds in the respective accounts resulting in restricted account deficits. BOE policies and procedures as established in the APM regarding the use of restricted funds were not followed. Students are not receiving the maximum possible benefit of the resources that should have been available to them.

**Recommendation:** We recommend that all expenditures are evaluated with regard to available resources and care must be exercised to ensure the resources are used for the maximum benefit of the students. Spending in these accounts must cease until the accounts’ deficits are resolved.

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

**2018.06 Vending Machines**

The following exceptions were noted regarding vending machine operations on the school premises:

- A. A current signed contract stipulating commissions due the school and frequency of commissions was not on file.
- B. Internal Audit observed that food of minimal nutritional value was sold from vending machines between the hours of 12:01 A.M. and the end of the last lunch period creating competition with the Food and Nutrition Services Program.

The APM, Section 9.8, *Vending Machine Sales*, states that all schools with vending machines must have a signed contract stipulating commissions due to the school and frequency these commissions are remitted. The contract term cannot exceed one year.

Federal regulations included in Code of Federal Regulations (CFR) 210 restrict the sale of competitive food. Also, AP 3542.44, *The Access and Sale of Competitive Foods and Foods of Minimal Nutritional Value in Schools Outside of the Food and Nutrition Service Program* prohibit the sale of foods with minimal nutritional value from 12:01 a.m. until the end of the last lunch period in each school. The principal must maintain compliance with these guidelines when arranging to have vending machines installed at the school.

The principal did not ensure that the school established a contractual agreement for vending or that the vending contractor installed proper equipment that would prevent the vending machine contents from being accessible between 12:01 A.M. and the last lunch period. Consequently, the BOE was not in compliance with the requirements outlined in the Code of Federal Regulations (CFR) 210, which governs the Child Nutrition Programs.

**Recommendation:** The principal must establish procedures to ensure that current vendor contracts are established, adhered to, and maintained on file in compliance with BOE policies and procedures. The principal should consult with Purchasing and Supply Services to identify an alternate vending company in absence of a contract. Also, the principal must contact the vending contractor and request that proper equipment be installed to ensure that the machines are off between the hours of 12.01 A.M. and the end of the last lunch period.

**2018.07 Disposition of Senior Class Accounts**

The Class of 2016 and Class of 2017 did not leave a Senior Class Planning and Budget Workbook approved by the principal for the final disposition of any residual class funds. The Class of 2016 account had an unexpended balance of **\$322.87** as of June 30, 2017. The Class of 2017 account had a balance of **\$445.00**.

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

In accordance with AP 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.

Class accounts represent the largest component (approximately one fourth) of SAF. It is therefore important that there is proper budgeting, accounting and control of class account resources.

The senior class sponsor and the principal, did not ensure that a plan was in place for the final disposition of any residual class funds. It appears that the senior class sponsor, the bookkeeper and the principal were unaware of the senior class disposition policy.

BOE policies and procedures as established in the APM relative to administration of class accounts were not followed. This noncompliance can result in restricted funds remaining in the SAF that are not available to students.

**Recommendation:** The principal and bookkeeper should make every effort to contact the senior class officers of the 2016 and 2017 classes to obtain in writing a plan for the final disposition of the residual funds. If this is not feasible, the principal should provide a plan for disposition to the Office of Accounting and Financial Reporting for approval. A copy should be sent to Internal Audit. The principal, bookkeeper and class sponsors must familiarize themselves with the requirements for administration of senior class accounts.

### **2018.08 Membership Cards**

The Restaurant Depot warehouse membership account is not appropriately maintained. A teacher has a membership card that is in the name of the school. The principal and bookkeeper are not aware of how many additional membership cards exist or who has authorization to make purchases on behalf of the school.

The APM Section 6.6 *Credit Cards, Lines of Credit and Membership Cards*, states, "Club membership cards, if deemed necessary, shall be limited to one in the name of the school and one in the principal's name. These membership cards are to facilitate school business only and should be kept in the school safe.

This membership account with Restaurant Depot was established prior to the principal's appointment. There were no controls over establishing warehouse membership accounts. BOE policies and procedures as established in the APM were not followed. Unauthorized individuals could use the school's sales tax exempt status to make personal purchases.

**Recommendation:** The warehouse membership card that is in the teacher's name must be destroyed and the account closed or transferred to the current principal's name and the school's name. The principal should provide confirmation from the warehouse membership

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

account vendor to Internal Audit that the noncompliance was resolved. The principal should distribute a memorandum to the school's staff informing them that opening of warehouse membership accounts in the school's name is prohibited.

**2018.09 Collection of Funds**

Supporting documentation for MTF# 26992 indicates that **\$573.00** was collected, however, only **\$495.00** was deposited. Missing funds were noted in the amount of **\$78.00**.

According to the APM, the bookkeeper is responsible for accurately recording and reporting the school's financial transactions and to be a good custodian of SAF.

Established internal controls relative to cash management were not followed. The bookkeeper did not perform verification of all supporting documentation and SAF remitted as part of the cash collection process. The internal control weaknesses resulted in identified loss of funds to the school of approximately **\$78.00**. These funds were recovered by the school on October 13, 2017.

**Recommendation:** The bookkeeper should ensure thorough review of MTFs and funds remitted prior to validating SAF.

**2018.10 Inappropriate Use of Advance, Reimbursement and Refund Vendor Options**

The following exceptions pertaining to use of the Advance, Reimbursement and Refund Vendor options were noted:

- The bookkeeper inappropriately processed 3 reimbursements totaling **\$2,417.87** and 8 refunds to parents totaling **\$6,660.60** using the "Advance Vendor" option.
- The bookkeeper processed 4 transactions (advance to employees and unapproved vendor payments) totaling **\$4,762.00** and 7 refunds to parents totaling **\$1,422.00** using the "Reimbursement Vendor" option.

The "*Reimbursement Vendor*" option was created to post reimbursable expenses to the staff and the "*Refund Vendor*" option was created to post refundable expenses to parents. The "*Advance Vendor*" option was created to post reimbursement expenses for staff when the exact amount is not known.

BOE policies and procedures as established in SFO regarding the use of the Advance, Reimbursement, Refund vendor option and payment for services rendered were not followed. The bookkeeper indicated that she had not been trained on how to use these accounts. As a result, the school's financial records may not have been accurately stated. Also, unapproved vendors were being paid via SFO. Failure to follow instructions for processing advances, refunds and reimbursements places the school system in a position of non-compliance BOE policies and procedures.

Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

**Recommendation:** The principal must establish procedures to ensure that all future cash disbursement transactions are accurately recorded in SFO. Additionally, correcting entries must be made for the improper postings to ensure accurate accounting of all transactions.

**2018.11 Improvement Needed in Management Oversight**

The principal did not exercise proper oversight in the administration of the SAF during the current audit period. There was non-compliance with the basic principles for fiscal responsibility and the requirement to adhere to the BOE policies and procedures. This resulted in internal controls being compromised. It should be noted that **8 of the 9** findings still exist from the previous audit and the total findings identified increased from **9 to 13**.

The principal was not sufficiently involved in SAF and did not strictly enforce adherence to BOE policies relative to administration of SAF. The principal is the fiduciary agent for SAF. In this role, the principal is the person responsible for ensuring that these funds are administered in accordance with Prince George's County Public Schools policies and procedures and spent so as to provide the maximum benefits possible to the students. Based on the number of repeat noncompliance and reportable control weaknesses, the principal did not follow BOE policies and procedures as established in the APM. As a result, students may not have received the maximum possible benefit of the resources that should have been made available to them.

**Recommendation:** The current principal should carefully review the policies and procedures as defined in APM. He should be consistently involved in the daily operations as it relates to the administration of the school's resources. Improvement of the internal control environment should be emphasized by focusing on these five basic principles:

- Clearly Defined Lines of Authority and Responsibility;
- Segregation of Duties;
- Maintenance of Adequate Documents and Records;
- Limited Access to Assets, and
- Independent Checks on Performance.

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Bladensburg High School was issued for the period ended May 31, 2013. During that period, the principal and bookkeeper were in their current positions. The previous audit report included **9** reportable conditions, of which **8** are repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:



Bladensburg High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2017

- **Mismanagement of Funds Received** - Condition still exists. See **Finding 2018.02** regarding *Mismanagement of Funds Received*.
- **Sales Taxes Not Collected and Posted for All Items Sold** - Condition still exists. See **Finding 2018.03** regarding *Administration of Sales Tax*.
- **Payment for Services Rendered Using Student Activity Funds** - Condition still exists. See **Finding 2018.10** under bullet No. 2 regarding *Use of the Advance, Reimbursement and Refund Vendor Accounts*.
- **Warehouse Membership Cards** - Condition still exists. See **Finding 2018.08** regarding *Membership Cards*.
- **Retention of Records** - Condition still exists. See **Finding 2018.02** regarding *Mismanagement of Funds Received*.
- **Inadequate Supporting Documentation for Disbursements** - Condition still exists. See **Finding 2018.01** regarding *Mismanagement of Disbursements*.
- **Transactions Incorrectly Posted** - Condition still exists. See **Finding 2018.10** regarding *Use of the Advance, Reimbursement and Refund Vendor Accounts*.
- **Delinquent Payment of Invoices** - Condition still exists. See **2018.01** regarding *Mismanagement of Disbursements*.
- **Principal Sponsored Activity Fund Overspending** - Control appears to be working.

**ACKNOWLEDGEMENT**

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