



November 13, 2018

MEMORANDUM

To: Jeffrey Holmes, Ed. D, Instructional Director
Cluster 3

Wanda Williams, Ed. D, Principal
Oxon Hill Elementary School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for Period July 1, 2014 to June 30, 2018

An audit of the financial records of **Oxon Hill Elementary School** was completed for the period July 1, 2014 to June 30, 2018. The audit results indicate 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 are included in the attached report.

As the principal of the school, you will be responsible for preparing an action plan within **30** days of November 13, 2018, 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 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.

cc: Segun Eubanks, Ed. D., Board Chair
Monica Goldson, Ed. D, Chief Executive Officer
Carolyn Boston, Vice Chair, Board of Education
Members, Board of Education
Michael Herbstman, Chief Financial Officer
Christian Rhodes, Chief of Staff
J. Michael Dougherty, Director Financial Services
Kassandra Lassiter, Ed. D, Elementary Schools Associate Superintendent
Helen Coley, Ed. D., Chief, School Support and Leadership
Erica Berry Wilson, Esq., Executive Director, Board of Education
Patrick Pope, Internal Auditor II

Internal Audit Report

Oxon Hill Elementary School Student Activity Funds

For the Period Ended June 30, 2018

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Oxon Hill Elementary School for the period July 1, 2014 through June 30, 2018. Oxon Hill Elementary School's principal is responsible for the administration of SAF. Our responsibility is to express an opinion based on our examination.

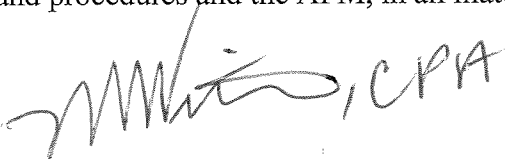
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Governmental Accountability Office and, accordingly, included examining, on a test basis, evidence supporting SAF, and performing such other procedures as we 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*,
- *Improper Administration of Voided Checks, and*
- *Financial Reporting*

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

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, 2018.


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 Elementary School for the period July 1, 2014 through June 30, 2018. 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.

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 July 1, 2014 through June 30, 2018. 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:

2019.01: Mismanagement of Funds Received

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

- ***Delinquent Deposits*** - There were **29** instances where funds collected were not deposited in a timely manner. Delinquent deposits ranged from 1 to 8 days.
- ***Incomplete MTF Log*** - The MTF log maintained during the audit period was incomplete. The MTF log did not include a field that showed the total amount of the MTF.

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

- Deposits of all funds received must be made 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, they must be kept in a secure location.
- A MTF log is required and must include a numerical list of the MTFs, the name of the individuals and dates the forms were issued, the date returned to the recordkeeping staff, and the total amount of the MTF.

The principal has failed to establish a system of internal control to ensure compliance with Board policies and procedures relative to funds collected by the school. Deposits were not taken to the bank in a timely manner because staff members did not remit funds collected daily.

Mismanagement of funds constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. Delinquent deposits increase the risk of lost or stolen funds.

Recommendation: The following is recommended for the principal and recordkeeping staff to properly manage funds received:

- Staff must be held accountable for remitting funds collected on a daily basis to reduce tardiness of deposits. The principal and recordkeeping staff must ensure that funds totaling \$250.00 and above are not maintained in the school safe and funds under \$250.00 are not held for more than 2 days.

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- The MTF log should be revised to include a column listing the dollar amount recorded on the MTF.

2019.02: Administration of Voided Checks

The audit revealed the following regarding the administration of voided checks:

- ***Signature Line Removed*** – There were **12** instances where the recordkeeping staff failed to remove the signature lines from voided checks.
- ***Redundant Numbers*** – There were **4** instances where checks were voided and subsequent checks were issued using the previously used check numbers.

The APM provides the following 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 recordkeeping staff was unaware that it is necessary to remove the signature line even though lines were drawn through the signatures. Staff was also unclear on the cause of the check numbering issues.

The ineffective process for voiding checks constitutes non-compliance with BOE policies and procedures. Lack of approval of voided checks and failure to destroy the signature line may increase the risk of check fraud.

Recommendation: The recordkeeping staff must be reminded of the importance of administering checks as required by the APM. Also, the recordkeeping staff should properly remove and destroy the signature lines from all voided checks and ensure that check numbers are appropriately accounted for. The principal must periodically review financial records to ensure compliance.

2019.03: Financial Reporting

The audit revealed **8** instances where the recordkeeping staff did not obtain proper approval for transfers affecting restricted funds including 3 transfers from the PY Carryover account to restricted accounts.

The APM Section 4.5.4.2, *Transfers Between Restricted and Unrestricted/Net Accounts*, states transfers between restricted accounts are only authorized if reviewed and approved by the Principal. Section 4.5.5 *Prior-Year Carryover Funds*, states, only upon written

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approval of the Accounting and Financial Reporting Office (AFRO), should funds be transferred from PY Carryover account.

The recordkeeping staff was unaware that approval from the AFRO was required prior to transfer of funds from the PY Carryover account. Also, the standard Fund Transfer Journal Entry Proof Sheet which provides a signature line for the recordkeeping staff and the principal was not used for documenting fund transfers.

The principal's ability to promptly verify the school's solvency status may be impacted. Unapproved journal entries may result in inaccurate and or unreliable financial reporting and impacts information used in the decision-making process.

Recommendation: The recordkeeping staff must make transfers in accordance with procedures in the APM. The principal should ensure compliance with the requirement approve journal entry transfers.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Oxon Hill Elementary School was issued for the period ended January 31, 2012. The current staff was not in place at the time of the previous audit. There were 9 findings reported in the previous audit and 1 was repeated in this report. The current status is indicated below:

- **Delinquent Deposits** – Condition still exists. See **2019.01** regarding *Mismanagement of Funds Received*.
- **Checks Written to "Cash"** – Controls appears to be working.
- **Non-Sufficient Funds Checks** – Controls appear to be working.
- **Itemized Bank Deposit Slips Not Utilized** – Controls appear to be working.
- **Incomplete Documentation for Disbursements** – Controls appear to be working.
- **Contracts** – Controls appear to be working.
- **Year-End Monetary Transmittal Forms** – Controls appear to be working.
- **Incomplete Documentation for Deposits** – Controls appear to be working.
- **Sales Tax Not Collected on Items Sold** – Controls appear to be working.

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ACKNOWLEDGEMENT

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