



August 28, 2019

**MEMORANDUM**

To: Ed Ryans, Ed. D, Instructional Director  
Cluster 11

Mar-C Holland, Principal  
Oxon Hill High School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for Period November 1, 2017 through June 30, 2019

An audit of the financial records of **Oxon Hill High School** was completed for the period November 1, 2017 through June 30, 2019. The audit indicates 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 by September 27, 2019, 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, email address [internal.audit@pgcps.org](mailto:internal.audit@pgcps.org). A copy of your action plan should also be forwarded to Jerry Chandler, Business Analyst, email address: [jerry.chandler@pgcps.org](mailto:jerry.chandler@pgcps.org); Deborah Smalls, Business Operations Technician, email address: [deborah.smalls@pgcps.org](mailto:deborah.smalls@pgcps.org); and Joeday Newsom, Esq., Ethics Compliance Officer, email address: [joeday.newsom@pgcps.org](mailto:joeday.newsom@pgcps.org).

cc: Alvin Thornton, Ph. D, Chairman, Board of Education  
Monica Goldson, Ed. D, Chief Executive Officer  
Members, Board of Education  
Christian Rhodes, Chief of Staff  
Helen Coley, Ed. D, Chief of School Support and Leadership  
Carletta Marrow, Ed. D, High Schools Associate Superintendent  
Michael Herbstman, Chief Financial Officer  
J. Michael Dougherty, Director Financial Services  
Suzann King, Esq., Executive Director, Board of Education  
Joeday Newsom, Esq., Ethics Compliance Officer  
Alanna Cooper, Internal Auditor II

# Internal Audit Report

## Oxon Hill High School Student Activity Funds

For the Period Ended June 30, 2019

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

**Table of Contents**

INTERNAL AUDITOR’S REPORT..... 2  
SUMMARY ..... 3  
OBJECTIVES ..... 3  
SCOPE ..... 3  
FINDINGS AND RECOMMENDATIONS..... 4  
STATUS OF PRIOR AUDIT FINDINGS..... 13  
ACKNOWLEDGEMENT ..... 14

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

Internal Auditor's Report

We have examined the Student Activity Funds of Oxon Hill High School for the period November 1, 2017 through June 30, 2019. 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, and*
- *Restricted Fund Account Deficits*

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, 2019.



Michele Winston, CPA,  
Director Internal Audit

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

**SUMMARY**

Internal Audit completed an audit of the student activity funds (SAF) of Oxon Hill High School for the period November 1, 2017 through June 30, 2019. 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, voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period November 1, 2017 through June 30, 2019. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations:

**2020.01: Mismanagement of Funds Received**

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

- A. ***Inadequate Documentation of Funds Received*** - There were **25** instances where the recordkeeping staff accepted MTFs that were incomplete or inadequately documented. School staff omitted remittance data in section 2 of MTFs. The monetary description was not consistently provided. There was no documentation to substantiate ticket and concession sales. *(This condition was also noted in the previous audit as of October 31, 2017.)*
  
- B. ***Year-End Monetary Transmittal Form Envelopes*** - The year-end MTF submission process was not operating as required by procedures outlined in the APM. There was **1** instance in FY 2019 where a staff member was unable to locate a pink MTF remittance copy. During FY 2018, there were **140** pink and/or yellow MTF remittance copies that were not submitted by **8** school staff. *(This condition was also noted in the previous audit as of October 31, 2017.)*
  
- C. ***Delinquent Deposits*** - There were **37** instances where funds were not deposited timely. Amounts up to **\$3,024.05** were held up to **48** days. *(This condition was also noted in the previous audit as of October 31, 2017.)*
  
- D. ***Improper Changes to Monetary Transmittal Forms*** - There were **5** instances where changes to MTFs were not initialed as required. *(This condition was also noted in the previous audit as of October 31, 2017.)*
  
- E. ***Incomplete Monetary Transmittal Form Log*** – The MTF log maintained by the recordkeeping staff during FY 2018 and FY 2019 was not in compliance with the APM. The log did not include fields noting the MTF amounts. *(This condition was also noted in the previous audit as of October 31, 2017.)*
  
- F. ***Funds Collection by Non-BOE Staff*** – There were **2** instances during FY 2018 where funds totaling \$605.00 for clipper apparel sales was collected by the

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

president of the Parent Teacher's Student Association (PTSA) who is not a PGCPs employee.

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

- A. Staff members collecting funds are required to complete MTFs entirely and submit to the recordkeeping staff along with funds collected. 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.
- B. 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. 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, Monetary Transmittal Forms, School Funds Expenditure Forms, cancelled checks and contracts.
- C. All funds collected are required to be remitted to the recordkeeping staff on the day of collection. The recordkeeping staff is also required to make timely deposit of these funds, at least every other day. No more than \$250.00 should be kept in the building overnight.
- D. Changes to MTFs are required to be initialed by the individual making changes.
- 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. Only PGCPs employees are authorized to collect activity fees. In most cases this person will be the classroom teacher, but could also be a club sponsor, activity chair, etc.

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

- A. According to the recordkeeping staff, generally errors in MTF documentation including changes that are not initialed are highlighted, documented and communicated to the preparer at the time of MTF submission for correction. Incomplete MTFs that were processed was an oversight. Staff hastily submit MTFs

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

without allowing sufficient time to ensure accurate completion and review of supporting documents accompanying MTFs.

- B. All year-end MTFs collected from staff during FY 2018 were unable to be located in the school. School staff responsible for maintaining the records were no longer at the school and did not know where the documents were located at the time of the audit.
- C. Deposits are not taken to the bank in the absence of the recordkeeping staff. Funds in excess of \$250.00 were dropped in the safe after the recordkeeping staff departed the school to make bank deposits.
- D. The recordkeeping staff omitted MTF amounts on the log because she believed it posed a safety risk to the school if funds collected by school staff were documented.
- E. The president of the PTSA noted that there was no administrator available to remit the funds she collected for apparel sales.

The audit trail for reviewing cash receipts was compromised. As a result, internal controls for ensuring all SAFs collected were subsequently deposited was weakened and the potential for loss of assets increased.

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

- A. The principal and recordkeeping staff should re-train school staff on how to properly complete and adequately support MTFs submitted to the recordkeeping staff. The recordkeeping staff should closely review MTF packages to ensure accuracy and completeness prior to acceptance and approval. The principal should hold school staff accountable for compliance.
- B. The principal should inform the administrative team of the point of contact for the year-end MTF envelopes. In the event of staff transition, multiple administrators should be made aware of where MTF envelopes are submitted so that they could be made available during future SAF audits.
- C. The principal should take deposits to the bank in the absence of the recordkeeping staff. Staff must be reminded that amounts collected in excess of \$250.00 must be promptly remitted for MTF processing.
- D. The recordkeeping staff should consider making the MTF log an electronic internal document only accessible to school staff. The principal should hold staff members accountable for completion.



Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

- E. Club and activity sponsors must provide oversight to ensure only PGCPs employees are involved in the collection of SAF.

**2020.02: Mismanagement of Disbursements**

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

- A. ***Incomplete and Inaccurate Documentation*** - There were **12** instances where expenditures reviewed did not have the appropriate approval documentation. A statement, handwritten list and a quote was provided to substantiate expenditures in **3** instances. *(This condition was also noted in the previous audit as of October 31, 2017.)*
- B. ***Inadequate Principal Approval and Segregation of Duties*** – There were **24** instances where SFEFs reviewed during the audit period were not adequately approved by the principal. School staff place orders with vendors prior to the principal’s pre-approval. In other instances, the principal approved her own requests for reimbursement. *(This condition was also noted in the previous audit as of October 31, 2017.)*
- C. ***Sales Taxes Paid*** - There were **4** instances where sales tax was paid for expenditures incurred on behalf of the school.
- D. ***Checks Not Entered in SFO*** - There were **6** instances where check numbers were not entered in SFO.
- E. ***Delinquent Vendor Payments*** - There were **5** instances where checks were issued to vendors subsequent to the due date. Payments were made up to **3** months late. *(This condition was also noted in the previous audit as of October 31, 2017.)*
- F. ***Cancelled Checks*** - There were **12** cancelled checks that could not be located.

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

- A. Expenditures of SAF are required to be supported by itemized receipts or invoices.
- B. Prior to ordering or purchasing goods or services, a SFEF must be completed, signed and dated (approved) by the principal. In instances where

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

reimbursement(s) is necessary, check signers should not sign their own reimbursement checks. This responsibility lies with the two (2) alternate signers.

- C. Purchases made by schools and PGCPs are sales tax-exempt, if used in the conduct of school business. After the principal approves a purchase, a copy of the sales tax exempt certificate is required to be provided to staff for presentation to the vendor when making school purchases.
- D. Section 3.2.2, *Bookkeepers/Financial Secretaries*, requires the recordkeeping staff to accurately record and report the school's financial transactions.
- E. 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.
- F. 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, Monetary Transmittal Forms, SFEF, cancelled checks and contracts.

Contributory factors in the mismanagement of disbursements are as follows:

- A. According to the recordkeeping staff, generally errors in SFEF documentation are highlighted, documented and communicated to the preparer at the time of SFEF submission for correction. SFEFs that were processed with inadequate documentation was an oversight. Staff hurriedly submitted SFEFs without allowing sufficient time to ensure adequate review of supporting documents accompanying SFEFs. Incomplete SFEFs with insufficient documentation that were maintained on record was due to an oversight on the recordkeeping staff's part.
- B. The recordkeeping staff was unaware that the principal could not approve her own expenditures. Staff members ordered items without preapproval to ensure they received the products by the event date. Sufficient time was not permitted to facilitate the preapproval process.
- C. Staff members failed to obtain the sales tax exempt card prior to making purchases. A staff member made a purchase at Costco and did not have a card in the name of the school to ensure her purchase was tax exempt.
- D. There were instances where the recordkeeping staff voided physical checks due to printing errors and forgot to enter the check number in SFO.

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

- E. Failure to process vendor payments by the due date occurred due to oversight by the recordkeeping staff.
- F. The recordkeeping staff failed to maintain the page on the bank statement with cancelled check images.

Lack of adequate documentation reduces assurance that purchases were made in accordance with BOE policy and procedures. The risk of insolvency and fraud is increased when appropriate approval is not obtained prior to purchase, expenditures are not adequately documented, or there inadequate segregation of duties, i.e. when a principal signs his/her own expenditure reimbursement request. Funds are expended unnecessarily when sales taxes are paid on tax-exempt school purchases. Also, the school's financial activities are not completely captured and reported when all transactions are not recorded in the accounting system.

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

- A. The principal and recordkeeping staff should provide more training to school staff on how to properly complete and support SFEEs to substantiate (receipts or invoices). The recordkeeping staff should closely review SFEEs and supporting documentation to ensure accuracy and completeness prior to acceptance. Staff should be held accountable for compliance.
- B. The recordkeeping staff and principal should read the APM to become familiar with guidelines regarding principal approval and staff pre-approval of school expenditures.
- C. Staff must be reminded to obtain the sales tax exemption certificate number when making school purchases. The school should research how the school's tax exemption number can be maintained on file for vendors frequently visited by school staff. The principal should consider obtaining purchase warehouse membership cards to ensure purchases are tax exempt.
- D. The principal should ensure that staff members are reminded to provide the SFEE for approval and obtain the sales tax-exempt certificate for all school purchases.
- E. The recordkeeping staff must ensure all voided checks are entered in SFO and closely review payment due dates noted on invoices.
- F. The recordkeeping staff should ensure all pages of the bank statement is maintained to ensure cancelled check images are available for auditor review.

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

**2020.03: Administration of Voided Checks**

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

- A. *Void Check Proof Sheets (VCPS) Not Approved* - There were **6** instances where VCPS were not approved by the principal.
- B. *Voided Checks and Void Check Proof Sheets (VCPS) Not Available* - There were **14** instances where voided checks could not be located. There were **17** instances where VCPS could not be located.

According to the APM, 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. VCPS should also be completed and approved by the principal, noting the check was voided.

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, MTF, SFEF, cancelled checks and contracts.

The recordkeeping staff explained that principal signatures missing on the VCPS was an oversight. The recordkeeping staff was not aware that there were voided checks that were not entered 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 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 recordkeeping staff should be more diligent in ensuring voided checks and VCPS are maintained and the principal's signature is obtained on all VCPS. The check register should be monitored by the recordkeeping staff to ensure there are no check numbers missing from the sequence.

**2020.04: Financial Reporting**

The following exceptions relative to financial reporting were noted:

- A. *Financial Reports Not Completed Timely* - There were **8** instances during the audit period where monthly financial reports were not completed timely by the recordkeeping staff. Financial reports were prepared approximately 60 days after

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

the due date. (*This condition was also noted in the previous audit as of October 31, 2017.*)

- B. ***Approval of Funds Transfers*** - There were **2** instances where evidence of approval was not provided on Fund Transfer Journal Entry Proof Sheets and **15** instances where the principal's approval was not performed timely as noted on Fund Transfer Journal Entry Proof Sheets. There were also **15** instances where evidence of approval showing authorization for funds transferred between restricted fund accounts via the Funds Transfer Journal Entry Proof Sheet could not be located.

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

- A. Section 5.1.2, *Monthly Reconciliation & Financial Reporting Procedures*, states that the principal is responsible for receiving the bank statement unopened. After reviewing the statement and cancelled checks, the principal forwards the documents to the bookkeeper for reconciliation. The bank reconciliation should be completed by the bookkeeper within 7 days after receiving the statement from the bank. Typically this process should be completed by the 15th of each month. The completed reconciliation should be returned to the principal every month for review and approval.
- B. Section 4.5.4.2 *Transfers Between Restricted and Unrestricted/Net Accounts* states that transfers between restricted accounts are only authorized if reviewed and approved by the principal.

Moreover, all SAF records are required to be retained for a period of 7 years and/or until audited, including the current fiscal year.

Contributory factors in financial reporting noncompliance are as follows:

- A. There were instances where the recordkeeping staff reportedly was unable to complete bank reconciliations timely due to frequent interruptions during the workday.
- B. Fund Transfer Journal Entry Proof Sheets without the principal's signature was due to oversight.

Delinquent reporting and inaccurate transaction details impacts 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. Students may not be receiving the maximum benefit of funds available when there is inaccurate financial reporting.

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

**Recommendation:** The principal and recordkeeping staff must perform the following to improve financial reporting:

- A. The principal should provide the recordkeeping staff with scheduled uninterrupted time to complete monthly bank reconciliations.
- B. The recordkeeping staff should be diligent in ensuring that the principal's signature is obtained on all Fund Transfer Journal Entry Proof Sheets prior to posting journal entries. Special effort should also be made to retain all financial records, including Funds Transfer Journal Entry Proof Sheets.

**2020.05: Fundraiser Forms**

The Fundraiser Request and Authorization Form, Fundraiser Completion Form, and annual fundraiser reports were not completed for all fundraisers held during the audit period.

Administrative Procedure 5135.1, *Fund Raising* requires the completion of Fundraiser Request and Authorization Forms, the Fundraiser Completion Form and the Annual Fund Raising Summary Report for fundraising events held by schools.

School staff hastily completed fundraising activities and did not ensure that the required documentation was on record. The recordkeeping staff failed to complete the annual fundraiser report due to other competing responsibilities. The profitability of fundraisers used in decision making is not available when fundraiser forms are not completed as required.

**Recommendation:** School staff should be trained on their responsibilities relative to the completion of the required fundraiser forms and reports. The principal should ensure that the recordkeeping staff is provided scheduled time to devote to the responsibilities relative to SAF administration.

**2020.06: Restricted Fund Account Deficits**

Deficits were noted in restricted fund accounts as follows:

- A. The Principal Sponsored Activities (PSA) fund accounts balance totaled **\$4,922.91** as of the last audit (October 31, 2017). A deficit totaling **(\$2,247.41)** was created as of June 30, 2019 under the current principal's leadership.
- B. The restricted yearbook fund account maintained a deficit of **(\$9,169.58)** as of June 30, 2019.

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

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 deficit in the PSA fund was created due to excessive staff food purchases. The deficit in the yearbook account carried over from prior years due to poor planning for previous yearbook orders. *(This condition was also noted in the previous audit as of October 31, 2017.)* Students are not receiving maximum benefit from SAF when fund accounts are in deficits.

**Recommendation:** The principal should consider increasing the number of school wide fundraisers and encouraging staff use of the vending machine to generate income to reduce the deficit in the PSA fund account. Disbursements from this account must cease until the deficit is resolved. Adequate planning must occur to ensure yearbook sales remain profitable. The principal should consult with the Accounting and Financial Reporting Office to determine a strategy for resolution of the Yearbook deficit.

#### **STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Oxon Hill High School was issued for the period ended October 31, 2017. During that period, the recordkeeping staff was in her current position. The current principal’s tenure began in July 2018. There were 7 findings reported previously and 7 are repeated in this audit report. The following findings were noted as a result of the previous audit and the current status is indicated below.

- **Mismanagement of Funds Received** - Condition still exists. See **2020.01** regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements**- Condition still exists. See **2020.02** regarding *Mismanagement of Disbursements*.
- **Administration of Checks** – Condition still exists. See **2020.03** regarding *Administration of Voided Checks*.
- **Financial Reporting** – Condition still exists. See **2020.04** regarding *Financial Reporting*.
- **Fundraiser Forms**– Condition still exists. See **2020.05** regarding *Fundraiser Forms*.

Oxon Hill High School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

- **Restricted Account Deficits** – Condition still exists. See **2020.06** regarding *Restricted Fund Account Deficits*.
- **Record Retention**- Condition still exists. See **2020.01** regarding *Mismanagement of Funds Received* and **2020.02** regarding *Mismanagement of Disbursements*.

**ACKNOWLEDGEMENT**

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