



August 29, 2019

**MEMORANDUM**

To: **Kelvin Moore, M. Ed.**, Instructional Director  
Cluster 9

**Wendell Coleman**, Principal  
Oxon Hill Middle School

From: **Michele Winston, CPA**, Director  
Internal Audit

Re: Financial Audit for July 1, 2016 through June 30, 2019

An audit of the financial records of **Oxon Hill Middle School** was conducted for the period July 1, 2016 through June 30, 2019. The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures 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 the principal of the school, you will be responsible for preparing an action plan by September 30, 2019, indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your **signed and dated** 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).

Enc.

cc:

**Alvin Thornton**, Ph. D., Chairman, Board of Education  
**Monica Goldson**, Ed. D., Chief Executive Officer  
**Members**, Board of Education  
**Helen Coley**, Ed. D, Chief, School Support and Leadership  
**David Curry**, Ed. D., Associate Superintendent, Middle Schools  
**Christian Rhodes**, Chief of Staff  
**Michael Herbstman**, Chief Financial Officer  
**James Dougherty**, Director, Financial Services  
**Joeday Newsom**, Esq., Ethics Compliance Officer  
**Suzann King**, Esq., Executive Director, Board of Education  
**Derrick Martin**, Internal Auditor II

# Internal Audit Report

## Oxon Hill Middle School Student Activity Funds

For the Period Ended June 30, 2019

Oxon Hill Middle 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 ..... 10  
ACKNOWLEDGEMENT ..... 10

Oxon Hill Middle 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 (SAF) of Oxon Hill Middle School for the period July 1, 2016 to June 30, 2019. Oxon Hill Middle 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:

- *Restricted Account Deficits*
- *Mismanagement of Funds Received*
- *Year-end Monetary Transmittal Envelopes Submission*
- *Core Textbook Fees*
- *Vending Machine Contract*
- *Transfers Not Properly Approved*

Individually or in the aggregate, these findings resulted in 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 deviation 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 Middle School  
Student Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2019

**SUMMARY**

The Internal Audit Department completed an audit of student activity funds (SAF) for Oxon Hill Middle School for the period July 1, 2016 to June 30, 2019.

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 Accounting Procedures Manual (APM) and the Board of Education (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, and available cancelled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2016 to June 30, 2019. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

Oxon Hill Middle 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 Restricted Account Deficits**

The following restricted accounts contained deficits which aggregated to approximately **(\$22,134.83)** as of June 30, 2019.

Account	Description	Amount
211.00	Boys Basketball Allotment	(\$321.43)
212.40	Boys Basketball Game Workers	(\$632.40)
304.20	8Th Grade FT	(\$105.88)
311.00	My Pride	(\$912.00)
314.00	Roses	(\$644.17)
316.00	National Junior Honor Society	(\$774.66)
319.00	Character Education	(\$457.13)
320.00	School Store	(\$654.95)
404.00	Book of the month	(\$928.40)
410.00	Charity	(\$30.00)
430.10	I-PAS	(\$1,733.20)
450.40	PSA-Clothing	(\$1,521.57)
480.00	Yearbook	(\$7,710.50)
505.00	Agenda Books	(\$81.10)
518.00	ELO	(\$876.25)
573.20	Band	(\$30.72)
573.30	Chorus	(\$3,164.40)
575.00	PE Uniforms and Equipment	(\$1,556.07)
<b>Total</b>		<b>(\$22,134.83)</b>

According to the APM, expenditures for all restricted accounts are limited to the amount of funds collected for those activities. Therefore, if restricted accounts exceed the available cash, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure that restricted accounts are solvent at all times.

The negative restricted accounts with the exception of account code 212.40 (Boys Basketball Game Workers) predates the current principal and recordkeeping staff. The restricted account deficits were present prior to the school's transition from

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

QuickBooks to School Funds Online (SFO) in FY 2015. There is no evidence that the deficits have been addressed by the administrative staff.

The students are not receiving the maximum possible benefit of the resources that should be available to them.

**Recommendations:** The principal should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted account deficits that existed prior to their tenure. Regarding the Boys Basketball Game Worker account, which incurred a deficit during FY 2019, spending should cease until the deficit is resolved.

### **2020.02 Mismanagement of Funds Received**

The following exceptions pertaining to the management of receipts were noted:

- A. ***Accounting for School Store Activities*** – During the audit period the school was unable to produce an inventory list for the school store activities.
- B. ***Sales Tax*** – The school did not charge sales tax for taxable items sold in the school store.
- C. ***Delinquent Deposits*** – There were **8** instances where SAF was delinquent deposited with the financial institution. The deposit was **22** days delinquent in one of those instances.
- D. ***Inadequate Supporting Documentation*** – There were **3** instances where the MTFs were accepted without proper documentation. The documentation provided did not equal the amount on the MTF in one of those instances.

The APM provides the following guidelines regarding administration of funds:

- A. Section 9.4 ***Accounting for School Store Activities*** – “The purpose of a school store is to provide school-spirited items and school supplies for classroom work, such as pencils, pens, stationery, school shirts, decals, etc. Price mark-ups should be reasonable to ensure maximum access of the entire school population and community at large. The staff member responsible for operating the school store must keep an inventory of all merchandise and account for funds collected on a MTF. The inventory form used should indicate the date items are added to, sold and deleted from inventory, as well as a running balance for each item. Maryland sales tax must be charged on all items costing over 17¢ that meet the criteria specified in 8.3, Sales Tax Procedures.”

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

- B. *4.5.2 Cash Deposits #2. Guidelines for Bank Deposits* – “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. A secure location is a locked fireproof safe, which only the Principal and Bookkeeper can access the contents.”
- C. *4.5.2 Cash Deposits #3 Preparing Bank Deposits* – “The Bookkeeper is responsible for counting cash, verifying the total on the MTF and applicable attachments. The funds counted must agree with the MTF and the actual funds submitted. When discrepancies are noted, the Bookkeeper must immediately contact the individual who submitted the MTF.”

The recordkeeping staff was unaware of the operating procedures, including sales tax and the requirement for maintaining an inventory list of school store items. MTFs provided by the school store sponsor were used in lieu of an inventory list. The recordkeeping staff was unaware that yearbooks were considered taxable items.

There is no restrictions on the hours for remittance of funds; therefore, oftentimes sufficient time was not always available to count the funds and make timely deposits. In addition, funds awaiting deposit was less than the overnight threshold of \$250.00; therefore, the recordkeeping staff waited until the funds exceeded the threshold for daily deposits or when funds in excess of \$250.00 was collected before making deposits.

Inadequate support for collection constitutes noncompliance with the Accounting Procedures Manual (APM) and reduces assurance that funds collected were accurately recorded and deposited with the bank.

Inadequate accounting for school store activities could result in unavailable information relative to items sold or items available for sale. Moreover, information regarding the efficiency of the, school store, value of the inventory, the age of the inventory (determining first in first out), and a determination of whether fraud exists is unavailable. Failure to collect and remit sales tax puts the BOE at risk of owing the State of Maryland penalties and interest for non-remittance with the requirements for sales tax. Internal controls on the collection and depositing of funds were compromised which increases the potential for loss of school assets.

**Recommendation:** The following recommendations are made pertaining to the management of receipts:

- A. The principal and recordkeeping staff should ensure the school store sponsor is aware of the school store inventory requirements. Internal controls for



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

- B. administering school store inventory must be established to promote efficiency and mitigate the risk of loss due to fraud, waste and abuse of school store inventory. In addition, the recordkeeping staff must familiarize herself with sales tax requirements and collection of sales tax should be immediately implemented for taxable items sold by the school.
- C. Hours for remitting funds must be established and staff members must be held accountable for compliance to reduce tardiness of deposits. Also, the recordkeeping staff must be held accountable for ensuring timely deposits, at least every other day as required by the APM.
- D. The recordkeeping staff must be held accountable for reviewing MTF packages to ensure that appropriate documentation is submitted to substantiate funds remitted along with MTFs.

**2020.03 Year-end Monetary Transmittal Envelopes Submission**

The year-end MTF submission process was not operating as required by the policies outlined in the APM. The MTFs provided during the audit were not sealed and properly collected or maintained.

- A. There was an instance in FY 2018 where a staff member's MTF envelope that contained **52** MTFs could not be located.
- B. There were **13** instances in FY 2019 where a staff member's MTF envelope did not include the pink MTF remittance.

According to the APM, staff members collecting funds are required to complete MTF's and must retain remittance copies. The pink copy of the MTF is required to be retained by the preparer of the form. The white and yellow MTF remittances are to be submitted to the recordkeeping staff with funds collected. After approving the MTF, the recordkeeping staff is required to return the yellow MTF remittance to the originator. Prior to departing the school at year-end, staff and program managers are required to submit the pink and yellow MTF remittances in a sealed envelope (with their signature over the seal) to the designated administrator.

Some of the staff members were unaware of the year-end MTF envelope submission requirements. Failure to obtain all year-end MTF envelopes impacts the evidence to ensure that all funds collected were accounted for.

**Recommendation:** The designated administrator must be held accountable for ensuring **ALL** year-end envelopes are collected from staff. Staff members who collected funds during the school year must be held accountable for submitting MTF remittance copies in

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

signed, sealed envelope to the designated administrator. MTF envelopes must be secured in an area that is not accessible to the bookkeeper. The principal should include MTF requirements as part of the professional development program held at the beginning of each school year.

#### **2020.04 Core Text Book Fines**

Core textbook fines were not remitted to BOE in a timely manner by the recordkeeping staff. As of the end of the audit period the core textbook account had an unremitted balance of **\$1,442.75**.

The APM provides the following guidelines regarding core text book fines:

The APM Section 9.7, *Textbook Replacement Fees (Core and Non-Core)* – and Administrative Procedure No. 6161, *Textbooks* notes that a “...student is responsible for paying any textbook assigned to him or her that is not returned or damaged.” As soon as it is determined that a core textbook is lost or damaged, administrators will initiate collection action. In order to safeguard funds, reimbursements for core textbooks will be deposited in the school’s checking account and recorded in SchoolFunds Online as restricted funds in the SAF. These monies must be remitted to the Accounting and Financial Reporting Office on a quarterly basis with a completed Textbook Reimbursement Form.

The school did not follow proper protocol for the remittance of core text book fines. The recordkeeping staff was unaware of the controls outlined in the APM regarding remittance of core text book fees.

Failure to remit core textbook fees to the BOE on a quarterly basis understates the amount of resources the Board has to replace missing instructional material, which includes computer software, books, and equipment.

**Recommendation:** The recordkeeping staff should ensure that core textbook fees are remitted to the BOE on a quarterly basis as required by the APM. The principal should hold the recordkeeping staff accountable for compliance.

#### **2020.05 Vending Machine Contract**

There are 3 faculty vending machines located in the teachers’ lounge. However, there is no contract in place that specifies commission due and the term of the contract for vending machines operation.

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

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

The principal and recordkeeping were in the process of finalizing the vending contract but was unable to find a suitable vender before the previous contract expired.

Failure to have a formal contract in place that stipulates commission due and contract term constitutes non-compliance with BOE policies and procedures. This compromises the principal's ability to obtain and follow all competitive bidding guidance.

**Recommendation:** The principal must establish procedures to ensure that current vendor contracts are established and maintained on file in compliance with BOE policies and procedures. The principal must either obtain a current vending contract or consult with Purchasing and Supply Service for identification of an alternate vendor.

### **2020.06 Transfers Not Properly Approved**

There were 16 instances where journal entry transfers performed by the recordkeeping staff during the audit period were not approved by principal as evidenced on the Fund Transfer Journal Entry Proof Sheet.

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."

The recordkeeping staff was not familiar with the requirements of the APM regarding documentation of transfers between restricted and unrestricted accounts.

Failure to comply with BOE's policies and procedures constitutes noncompliance. Unauthorized fund transfers can result in misuse of school funds.

**Recommendation:** The recordkeeping staff should ensure that all allowable transfers are completed with an approved Fund Transfer Journal Entry Proof Sheet signed by the principal prior to entering into SFO. Evidence of prior approval must be retained on file as evidence of compliance. The principal must hold the recordkeeping staff accountable for compliance.

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

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Oxon Hill MS was issued for the period ended June 30, 2014. During that period, the principal and the recordkeeping staff were in their current positions. The previous audit report included **6** reportable conditions, of which **3** 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:

- **2015.01 Mismanagement of Funds Received** – See **2020.02** regarding *Mismanagement of Funds Received*.
- **2015.02 Mismanagement of Disbursements** – Controls Appear to be Working.
- **2015.03 Record Retention** – See **2020.03** regarding *Year-end Monetary Transmittal Envelopes Submission*.
- **2015.04 School Safe Inaccessible to School Staff** – Controls Appear to be Working.
- **2015.05 Contract not in Place for Vending Machine** – See **2020.05** regarding *Vending Machine Contract*.
- **2015.06 Fundraising Forms** – Controls Appear to be Working

**ACKNOWLEDGEMENT**

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