

Internal Audit Report

Oxon Hill High School

School Activity Funds

For the Period Ended August 31, 2023

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Oxon Hill High School for the period December 1, 2021 through August 31, 2023. The 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 by attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards 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:

- **Records Retention,**
- **Mismanagement of Disbursements,**
- **Mismanagement of Funds Received,**
- **Administration of Sales Tax, and**
- **Management Oversight**

The findings resulted in a material deviation from Board of Education (BOE) policies, procedures, and the Accounting Procedures Manual for School Activity Funds (APM) requirements.

In our opinion, the SAF referred to above, requires improvement to achieve compliance with BOE policies and procedures and the APM, in all material respects, for the period ended August 31, 2023.



Michele Winston, CPA, Director
Internal Audit

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SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for Oxon Hill High School for the period December 1, 2021 through August 31, 2023. 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 by the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

This audit report includes **5** findings that occurred under the leadership of the current principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. 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 complies with the policies and procedures of the APM and the BOE. While the audit focused on deficiencies, it is important to recognize that 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 and available canceled checks, and all voided checks and MTF envelopes submitted by staff for the period December 1, 2021, through August 31, 2023. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the said period. Audit results were based on available documentation. Several documents were not on file for review. (*See 2024.01 Record Retention*)

This is an audit of funds related to students' activities at the school and does not include SOR funds or any funds not derived from students' activities for the audit period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations.

2024.01 Records Retention

Supporting documentation to substantiate financial transactions was not available for review in the following instances:

- **12** Voided Checks, and
- **6** Fund Transfer Journal Entry Proof Sheets,

According to **Section 6.12** of the Accounting Procedural Manual, *Record Retention*, All SAF records must be retained for **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.

The voided checks and journal entries processed in SFO during the audit period were not organized sequentially by the recordkeeping staff resulting in the noted voided checks and journal entries being misplaced.

Failure to adequately maintain and make financial records available for audit constitutes noncompliance with BOE policies and procedures and compromises the audit trail necessary for determining compliance with applicable requirements.

Recommendation: The recordkeeping staff must ensure that voided checks and journal entries are arranged in a sequential manner that supports adequate filing and retrieval of financial documents for future review. The recordkeeping staff must be held accountable for compliance.

2024.02: Mismanagement of Disbursements

The following exceptions on the management of disbursements were noted:

- A. ***Inadequate Approval*** - There were **5** instances where expenditures were not adequately approved. Expenditures were made either after the principal's signed approval or were not approved at all in the noted instances.
- B. ***Delinquent Vendor Payments*** - There were **5** instances where vendor payments were not remitted in a timely manner. The range of delinquency was between **9** and **48** days.

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- C. ***Inadequate Supporting Documentation*** - There were **12** instances where expenditures did not contain adequate supporting documentation. Emails, statements, and quotes were used to substantiate expenditures instead of required invoices. SFEFs were incomplete in some instances.

The APM provides the following guidelines regarding the administration of cash disbursements:

- A. Prior to ordering or purchasing goods or services, an SFEF must be completed and signed (approved) by the principal.
- B. Invoices are required to be paid within 30 days of receipt or by the invoice due date. The principal is required to review invoices and statements for past due amounts and ensure that payments are made promptly.
- C. All checks must be supported with itemized documentation attached to the SFEF that agrees to the amount of the check.

Internal controls relative to the management of disbursements have not been established. The staff did not always seek preapproval prior to making purchases in the name of the school. The principal and recordkeeping staff did not enforce the preapproval process. The principal and recordkeeping staff did not review the open invoices folder to identify invoices as they became due. A review of supporting documentation was not performed by the recordkeeping staff to ensure adequacy prior to the issuance of checks.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases the financial risk to the school and staff. Approving purchases without adequate documentation and failure to adequately approve expenditures can result in payment for goods and services that were not received and increases the school's vulnerability to potential misuse or waste of resources. Delinquent payment of invoices could result in the vendor placing the BOE's account with a collection agency where significant collection fees could be assessed.

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

- A. The principal must ensure staff members are made aware of the requirement for obtaining pre-approval before purchasing products or services. Staff members must be held accountable for compliance. The principal must review SFEFs to ensure that the required pre-approval details are documented on SFEFs before approving expenditures for payment.

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- B. The principal and recordkeeping staff must ensure that vendor payments are issued timely, within 30 days of receipt, or by the invoice due date by reviewing the open invoice folders and processing vendor payments prior to the due dates.
- C. The recordkeeping staff must review SFEEs and corresponding supporting documentation to determine completeness and adequacy prior to submission to the principal for final approval and payments.

2024:03 Mismanagement of Funds Received

The following exceptions about the management of receipts were noted:

- A. ***Inadequate Supporting Documentation*** - There were **9** instances where collections were not properly supported (incomplete MTF).
- B. ***Delinquent Deposit*** – There were **3** instances where deposits were not made promptly. The range of delinquency was **4** and 6 days.

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

- A. All funds collected should be remitted to the recordkeeping staff and properly supported with approved MTFs and other required documentation.
- B. Deposit of all funds received is required at least every other day. However, no more than **\$250.00** should be kept in the building overnight. Schools must establish internal controls to ensure frequent deposits occur.

Internal controls to ensure collections were processed as required were not always enforced. The recordkeeping staff did not perform verification of supporting documentation before accepting and approving MTFs and making deposits. The instances of delinquency occurred because staff members did not remit funds to the recordkeeping staff daily as required.

Failure to verify that MTFs are entirely completed places the school at risk of not receiving all funds collected and results in inaccuracies on deposit documentation. Delinquent deposits of funds impact the availability of funds and poses financial risk to the school.

Recommendation: The following corrective actions should be implemented for collections to be processed according to BOE policies and procedures:

- A. The recordkeeping staff should ensure that all cash receipt documentation is adequate by verifying that all appropriate fields on the MTF are completed prior to appending approval.

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- B. Teachers should be informed that funds collected are required to be remitted on the day of collection. Teachers should be held accountable for compliance.
- C. The principal should perform periodic reviews of the deposit records to ensure that deposits are made as required.

2024.04 Administration of Sales Tax

There were **4** instances where sales tax was not collected on the sale of Yearbooks, Volleyball, Cheerleading, and AFJROTC uniforms.

Administrative Procedure 5137, *Sales Tax*, provides guidelines for taxable sales. A school is required to collect and remit taxes to the State of Maryland Comptroller's Office for all taxable sales.

Staff members collecting funds did not document sales taxes on the MTFs. Additionally, the recordkeeping staff did not identify and calculate sales tax on taxable transactions as noted in AP 5137, *Sales Tax*.

Non-compliance with the State of Maryland's sales tax laws could result in assessed penalties and interest.

Recommendation: The recordkeeping staff should ensure that appropriate sales tax is collected and remitted to the State of Maryland for all applicable taxable items sold by the school as required by AP 5137, *Sales Tax*. Staff members collecting funds should also be trained and held accountable for documenting sales taxes on MTFs when taxable sales are made.

2024.05 Management Oversight

The principal did not exercise proper oversight of the administration of the SAF during the current audit period. The previous audit was conducted during the tenure of the current principal. A total of **5** reportable conditions are repeated in the current audit. There was non-compliance with the basic principles of fiscal responsibility and adherence to BOE policies and procedures. This resulted in internal controls being compromised.

The principal is the fiduciary agent for SAF. In this role, the principal is responsible for ensuring that SAF is administered by PGCPs policies and procedures and expended to provide maximum benefit to the students. Based on the number of repeat noncompliance and reportable control weaknesses, the principal did not fully comply with BOE policies and procedures as established in the APM.

Recommendation: The principal should carefully review the policies and procedures as outlined in the APM. There should be consistent involvement in the daily operations as it relates

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to the administration of the school's resources. Improvement of the internal control environment should be emphasized by focusing on these 5 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 Oxon Hill High School was issued for the period ending November 30, 2021. During that period, both the principal and recordkeeping staff were in their current positions. The previous audit report had **9** reportable conditions, of which **5** are repeated in the current audit. The following findings were noted as a result of the prior audit, and the status is indicated below:

- **Mismanagement of Disbursements**, - Condition still exists. See Finding 2023.02, *Mismanagement of Disbursements*.
- **Administration of Voided Checks**, - Controls appear to be working.
- **Mismanagement of Funds Received**, - Condition still exists. See Finding 2023.03, *Mismanagement of Funds Received*.
- **Record Retention**, - Condition still exists. See Finding 2023.01, *Record Retention*.
- **Vending Machines Contract**, - Controls appear to be working.
- **Excessive Spending in Restricted Accounts**, - Controls appear to be working.
- **Disposition of Senior Class Accounts**, - Controls appear to be working.
- **Administration of Sales Tax**, - Condition still exists. See Finding 2023.04, *Administration of Sales Tax*.
- **Management Oversight**- Condition still exists. See Finding 2023.06, *Management Oversight*.

ACKNOWLEDGEMENT

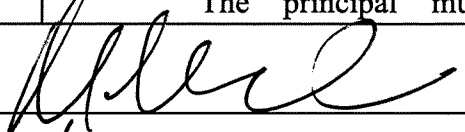
We would like to thank the principal and staff of Oxon Hill High School for their cooperation and assistance extended during the audit.

Prince George's County Public Schools
Internal Audit Department
School/Office Oxon Hill HS
Response Due Date January 23, 2024

	Findings	Recommendations	Concur Non-Conc ur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2024.01:</u> <u>Records</u> <u>Retention</u>	The recordkeeping staff must ensure that voided checks and journal entries are arranged in a sequential manner that supports adequate filing and retrieval of financial documents for future review. The recordkeeping staff must be held accountable for compliance.	Concur	As advise during financial review and audit, the filing of records moving forward will be arranged in a sequential manner that supports adequate filing and retrieval of documents for future review	9/5/2023	Implemented
2.	<u>2024.02</u> <u>Mismanagement</u> <u>of</u> <u>Disbursements</u>	The principal and recordkeeping staff must perform the following to improve the administration of disbursements: A. The principal must ensure staff members are made aware of the requirement for obtaining pre-approval before purchasing products or services. Staff members must be held accountable for compliance. The principal must review	Concur	A. The Principal and Financial Secretary have revised and updated the Financial Operations Document for OHHS to include pre-approval procedures for approving expenditures. This was presented to staff at the October Faculty Meeting on 09/08/2023. Next Presentation will take	09/08/2023	Implemented

Principal Signature

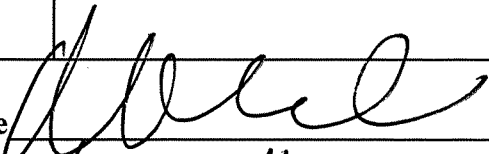
Date


1/24/2024

		<p>SFEFs to ensure that the required pre-approval details are documented on SFEFs before approving expenditures for payment.</p> <p>B. The principal and recordkeeping staff must ensure that vendor payments are issued timely, within 30 days of receipt, or by the invoice due date by reviewing the open invoice folders and processing vendor payments prior to the due dates.</p> <p>C. The recordkeeping staff must review SFEFs and corresponding supporting documentation to determine completeness and adequacy prior to submission to the principal for final approval and payments.</p>	<p>Concur</p> <p>Concur</p>	<p>place during Pre-Service week in August-2024</p> <p>B. The Principal and Financial Secretary have revised and updated the Financial Operations Document for OHHS to include procedures to ensure timely vendor payments. This was presented to staff at September Faculty Meeting on 09/08/2023. Next Presentation will take place during Pre-Service week in August-2024</p> <p>C. The Financial Secretary will review requests for payments to ensure that all SFEFs are complete and include adequate supporting documentation prior to forwarding them to the principal for final approval and issuing payments.</p>	<p>9/08/2023</p> <p>9/5/2023</p>	<p>Implemented</p> <p>Implemented</p>
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Principal Signature

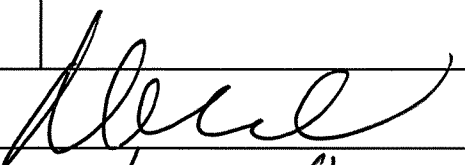
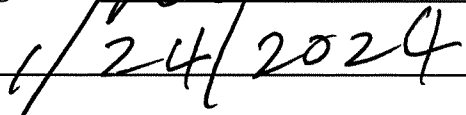
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3.	<u>2024.03</u> <u>Mismanagement</u> <u>of Funds</u> <u>Received</u>	<p>The following corrective actions should be implemented for collections to be processed according to BOE policies and procedures:</p> <p>A. The recordkeeping staff should ensure that all cash receipt documentation is adequate by verifying that all appropriate fields on the MTF are completed prior to appending approval.</p> <p>B. Teachers should be informed that funds collected are required to be remitted on the day of collection. Teachers should be held accountable for compliance.</p> <p>C. The principal should perform periodic reviews of the deposit records to ensure that deposits are made as required.</p>	<p>Concur</p> <p>Concur</p> <p>Concur</p>	<p>A. The financial secretary will ensure that all cash receipt documentation is adequate by verifying that all appropriate support is attached to the MTF before appending his approval.</p> <p>B. The Principal and Financial Secretary presented to staff at September Faculty Meeting on 09/08/2023 that funds collected by teachers cannot be held overnight. In addition, the principal will provide the recordkeeping staff with adequate time to verify that funds collected are as indicated on the accompanying MTFs and to make bank deposits timely.</p> <p>C. The principal will perform periodic review of the deposit records to monitor whether deposits are made as required. The principal will hold</p>	<p>9/5/2023</p> <p>9/8/2023</p> <p>9/5/2023</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
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Principal Signature

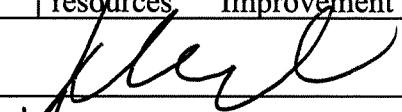
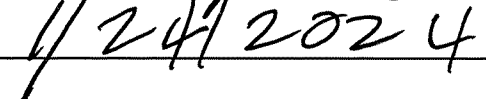
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				all staff accountable for compliance. This process will be monitored weekly by the principal during weekly financial meetings with the bookkeeper.		
4.	<u>2024.04:</u> <u>Administration</u> <u>of Sales Tax</u>	The recordkeeping staff should ensure that appropriate sales tax is collected and remitted to the State of Maryland for all applicable taxable items sold by the school as required by AP 5137, <i>Sales Tax</i> . Staff members collecting funds should also be trained and held accountable for documenting sales taxes on MTFs when taxable sales are made.	Concur	The financial secretary will ensure that appropriate sales tax is collected and remitted to the State of Maryland for all applicable sales taxable items sold by the school as required by AP 5137, <i>Sales Tax</i> . Staff members collecting funds were trained at the November Faculty on 09/08/2023. Staff are held accountable for documenting sales taxes on MTFs when taxable sales are made. Next Presentation-staff training will take place during Pre-Service week in August-2024	9/8/2023	Implemented
5.	<u>2024.05:</u> <u>Management</u> <u>Oversight</u>	The principal should carefully review the policies and procedures as outlined in the APM. There should be consistent involvement in the daily operations as it relates to the administration of the school's resources. Improvement of the internal	Concur	Clearly Defined Lines of Authority and Responsibility. Principal Segregation of Duties.	9/8/2023	Implemented

Principal Signature

Date

		<p>control environment should be emphasized by focusing on these 5 basic principles:</p> <ul style="list-style-type: none"> • 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. 		<p>An Assistant Principal has been assigned as second signer of checks.</p> <p>Maintenance of Adequate Documents and Records.</p> <ul style="list-style-type: none"> -Weekly Meetings with financial secretary -Monitoring tool for School Orders and Purchases -Financial Calendar to monitor the duration of school fundraisers -Communication of all updates and policies to staff via monthly faculty meetings <p>Limited Access to Assets, and Independent Checks on Performance.</p> <p>Principal and Bookkeeper Access Only</p>		
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Principal Signature

Date

