



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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December 23, 1998

Dr. James Denight
Principal
Marianas High School
Saipan, MP 96950

Dear Dr. Denight:

Subject: Final Letter Report on the Follow-up Audit of the Marianas High School Student Funds for the Period August 1, 1991 to September 30, 1992 (Report No. LT-98-14)

This report presents the results of our follow-up on our September 13, 1994 report on the funds misappropriated from the Marianas High School (MHS) student activity funds (August 1991 to September 1992) by a former principal and the former custodian, and which were supposed to be recovered. The objectives of the audit were to determine whether (1) the \$5,069 misappropriated by the previous custodians was recovered and distributed back to the appropriate student organizations, and (2) recording procedures of the fund transactions are adequate and internal controls over the funds as recommended by the Office of the Public Auditor (OPA) in its previous report are in place.

The results of our work showed that the MHS student funds financial records are inadequate to determine what happened to the \$5,069 that was paid back by a former principal and the former custodian for the funds they took during school year (SY) 1991 to 1992. Consequently, MHS has still not identified the student organizations that were deprived of the use of their monies, and the risk still exists that the recouped \$5,069 will be lost or used improperly.

In addition, the funds custodians (including the previous custodians) were (1) not oriented on how to account for and maintain the funds, (2) unaware of OPA's prior audit recommendations, and (3) not knowledgeable in establishing accounting records and unaware of the need for internal controls. As a result, the correct balance of the student funds remains unaccounted for. The bank balance as of December 31, 1997 is \$15,848 less than the total balance of the individual student organization ledgers maintained by the custodian as of the same date.

Accordingly, we recommended that: (1) the Commissioner of Education (Commissioner) direct MHS to submit quarterly financial status reports of all of its fund-raising activities pursuant to BOE Policy No. 703.8; (2) the MHS principal submit a reconciliation of the balances of the MHS

student funds maintained by the custodian as of December 31, 1997 against the balance per bank statements for the same period. Thereafter, monthly reconciliations should be prepared on a regular basis; and (3) the custodian adopt a format of record keeping similar to that shown in **Appendix A**.

In addition, the following internal control procedures should be implemented by the MHS student funds custodian:

- a) Collections should be deposited intact on the same day or the next banking day. Deposits should be matched against the official receipts. Also, official receipts for the student funds should be used solely for the student funds, and must be properly accounted for.
- b) Invoices supporting payments must be obtained from the payees, recorded, and filed accordingly.
- c) No payments should be made by cash.
- d) No withdrawal of funds by the student organizations should be made unless it is supported by a student organization withdrawal form duly signed by the organization president or treasurer and countersigned by the teacher adviser. The custodian should be aware of the identities of the officers and advisers of the various student organizations.
- e) Quarterly financial status reports should be prepared and submitted to the Commissioner.
- f) A statement of accountability by the retiring custodian should be prepared before turning the records over to the succeeding custodian, and the succeeding custodian should likewise be oriented on how to account for the funds.

In our exit meeting of July 22, 1998, the custodian stated that she would immediately implement the internal controls mentioned above.

The MHS principal was furnished a copy of the Commissioner's letter to OPA dated December 15, 1998 (see **Appendix B**). In her letter, the Commissioner concurred with the findings and recommendations and accordingly directed MHS to submit quarterly financial status reports as required by BOE policy 703.8. She also directed MHS to submit monthly reconciliations of the bank account balances no later than 15 days after the end of the month together with the monthly financial report.

The current custodian in his letter to OPA dated December 14, 1998 (**Appendix C**) stated that a cash basis general ledger of all the funds is maintained on the computer using Quicken, and although the monthly report is not as detailed as the sample shown in **Appendix A**, the supporting details can be found in the general ledger. As for the discrepancy between the total student funds per record against the bank statement, the current custodian stated that MHS eliminated the discrepancy by writing off the amount against the administration - food court account and that no student fund needs to be reduced. He further said that MHS received clarification from the

Commissioner as to what purposes the food court fund may be used and that the Commissioner gave permission to use the profits from the food court account for educational purposes such as school supplies, school maintenance, and substitute teaching.

We have doubts whether writing off the bank reconciliation discrepancy against the administration-food court account can be considered using the food court account for educational purposes or activities in accordance with BOE policy 1008.5. In the absence of a definition of what constitutes educational purpose or educational activity, we cannot determine what miscellaneous funds can be spent for. Accordingly, we recommend that the Commissioner define what constitutes educational purpose or educational activity and include such definition in its policy manual (Recommendation 4).

Based on the responses of the Commissioner and the current student funds custodian, we consider Recommendations 1, 2, and 3 closed while Recommendation 4 is open. The additional information needed to close Recommendation 4 is presented in **Appendix D**.

BACKGROUND

On September 13, 1994, OPA issued a report on the results of its audit of the MHS student funds for the period August 1, 1991 to September 30, 1992 (Report No. AR-94-01). One of the objectives of the audit was to determine whether internal controls over the funds were established and implemented. The audit showed that internal controls over the MHS student funds were not established and implemented. This occurred because the former principal and the former accounting-teacher custodian did not establish controls and follow procedures. As a result, not all of the receipts and disbursements of the funds were accounted for, and \$5,069.15 was misappropriated by the former principal and the accounting-teacher custodian. OPA recommended that, (1) internal controls over the student funds be strengthened, and (2) the Commissioner determine the extent of fiduciary responsibility that was disregarded by the former principal and accounting-teacher custodian, and collect the unauthorized disbursements made from whomever is determined to be responsible (Audit Recommendation Nos. 5 to 7).

On November 19, 1997, OPA received a letter from a concerned citizen stating that he was advised by an MHS staff member that no restitution has been made to the MHS student fund-raising account as of 1996. The restitution was supposed to cover the money misappropriated by the previous custodians in SY 1991/92 and reported in OPA Report No. AR-94-1.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this audit were to determine whether (1) the \$5,069 misappropriated by the previous custodians was recovered and distributed back to the appropriate student organizations, and (2) recording procedures of the fund transactions are adequate and internal controls over the funds as recommended by OPA in its previous report are in place.

To accomplish our objectives, we reviewed the working papers on the audit of the MHS student funds for the period August 1, 1991 to September 30, 1992 (OPA Report No. AR-94-01). In

December 1997, we also requested the Commissioner to provide all information pertaining to the resolution of audit recommendation 7 of OPA Report No. AR-94-01. In July 1998, we interviewed the custodians of the funds (including the previous custodians) to determine what recording system and internal control procedures are being used for maintaining the student funds. We also obtained and reviewed the records of the MHS student funds from August to December 1997. The extent of our examination was limited to this period because, according to the custodian, she took over the funds sometime in August 1997, and the only records turned over to her by the previous custodian were columnar sheets showing the beginning balances of the various student organizations. In addition, the latest bank statement provided to MHS by its bank was as of January 25, 1998.

The audit was performed on Saipan, and, we evaluated the system of internal controls relating to the receipt and disbursement of student funds to the extent we considered necessary to accomplish our objectives.

The audit was conducted, where applicable, in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Accordingly, we included such tests of records and such other auditing procedures as were considered necessary to accomplish our objectives.

RESULTS OF REVIEW

A. Financial Records Inadequate to Determine Disposition of Recouped Funds

Financial records are inadequate to determine what happened to the \$5,069 that was paid back by a former principal and the former custodian for the funds they took during SY 1991 to 1992. The custodian cannot explain what happened to the recouped amount because MHS is still not complying with the Board of Education (BOE) policy that requires full accounting of the receipt and disbursement of fund-raising monies. Consequently, MHS has still not identified the student organizations that were deprived of the use of their monies, and the risk still exists that the recouped \$5,069 will be lost or used improperly.

Recovery of Misappropriated Funds

Based on information and documents provided by the former Commissioner, audit recommendation Nos. 5 to 7 in Report No. AR-94-01 were fully addressed. The former Commissioner determined the extent of the fiduciary responsibility disregarded by the SY 1991 to 1992 custodians of the student funds, and collected the amount improperly taken by the custodians. In addressing OPA's recommendations, the following sequence of events took place:

1. The MHS Student Activity Fund Audit Ad Hoc Committee was created to implement the recommendation. It was determined that the SY 1991 to 1992 student funds custodians were accountable for the total amount of \$5,069.15.

2. In November, 1994, the SY 1991 to 1992 accounting-teacher custodian paid \$2,350, which was deposited to the PSS General Fund on November 24, 1994.
3. On December 12, 1994, the SY 1991 to 1992 MHS principal paid \$2,500, which was also deposited to the PSS general fund.
4. On August 16, 1995, the SY 1991 to 1992 accounting-teacher custodian paid the balance of \$219.15, which brought the total amount recouped and deposited in the PSS general fund to \$5,069.15.
5. On September 30, 1995, PSS general fund check no. 056238 for \$5,069.15 was issued to the order of the MHS student funds. Based on the endorsement, the check was deposited to checking account No. 03-55-331552 of the MHS student funds on October 24, 1995.

Uncertainty of Funds Distribution to Student Organizations

The first step that the previous MHS student funds custodians should have taken upon recoupment was to identify the student organizations to which the recouped money should be allocated and/or returned. However, the custodian and the MHS principal were not able to provide written records to indicate what happened after the money was deposited.

In his letter to OPA dated March 31, 1998, the MHS principal stated that the PSS check made payable to the MHS student funds *may* have been deposited on October 24, 1995 as evidenced by the date the check was marked received by the bank. He added, however, that according to the funds custodian (who was not connected with the school in October 1995), no record of the student funds could be found to show the allocation of the money to the individual student organization accounts.

We then interviewed the custodian of the MHS student funds in 1995. According to the 1995 custodian, she turned-over all records to the custodian who succeeded her. However, when all succeeding custodians were asked, no one acknowledged the whereabouts of the 1995 records.

Board of Education (BOE) Policies

BOE Policy No. 703.4 requires the principal or his or her designee to provide a full accounting of the receipts and disbursements of fund-raising activities, and Policy No. 703.8 requires that the quarterly financial status reports of PSS include the status of all fund-raising activities. Accordingly, based on the needs (imposed by the number of student organizations, number of fund-raising activities, amount of funds, etc.) of the school, it is the principal's responsibility to establish policies and procedures for safeguarding funds, and to ensure creation, reliability, and retention of records needed for accountability.

Potential Misappropriation of Collected Funds

In the absence of written policies and procedures that establish internal control and allow full accountability, funds collected by the student organizations will always be at risk of loss or improper use. In this case, the recouped \$5,069 was deposited to the student funds account, but remained unaccounted for because it was not immediately allocated back to the student organizations, and there was no regular reporting on each student organization's share of the total student funds balance. Furthermore, without a system for retention and turnover of records, the management/audit trail for retracing what happened to the \$5,069 was lost. Even if the \$5,069 was in a depository bank, it was very susceptible to misappropriation. It may have been used to cover other cash collections that were not deposited. It also may have been used for unrelated student funds activities.

B. Continued Lack of Recording Procedures and Internal Control over the MHS Student Funds

In Report No. AR-94-01 issued on September 13, 1994, OPA reported that internal controls over the MHS student funds are necessary to ensure that funds are safeguarded, and that financial reports and records are reliable. OPA recommended various internal control procedures, most of which, according to the custodian at that time, were already implemented. Our follow-up audit showed, however, that internal controls over the accounting of student funds are still not in place, and that recording procedures of the fund are inadequate. This occurred because the custodians were (1) not oriented on how to account for and maintain the funds, (2) not aware of OPA's prior audit recommendations, and (3) not knowledgeable on establishing accounting records and unaware of the need for internal controls. As a result, the student funds remain unaccounted for, and the bank balance as of December 31, 1997 is \$15,848 less than the total balance of the individual ledgers maintained by the custodian as of the same date.

OPA's Recommendations on Earlier MHS Student Funds Audit

In Report No. AR-94-01, OPA recommended various internal control procedures for the accounting of funds. Before the culmination of the audit, the fund custodian at that time reported that the following controls recommended by OPA were being adopted:

- Receipts are issued for all cash received.
- Collections are deposited frequently, at the minimum, twice a week.
- Disbursements are properly authorized based on duly processed withdrawal forms signed by the organization president or treasurer and countersigned by the teacher adviser.
- Disbursements are made by check.
- The practice of making checks payable to cash is minimized.

- Financial status reports are regularly prepared.

In addition to the above internal controls, the following were also recommended by OPA:

- Keep unused checks under lock and key. Checks should be entered on a disbursement record, and unissued checks should be physically inventoried every six months.
- Ensure that student organizations maintain independent records of their receipts and disbursements, and that the records are reconciled quarterly with the records maintained by the student funds custodian.

Continued Lack of Adequate Records and Internal Controls over the MHS Student Funds

Our audit disclosed that there is a continuing lack of adequate records, and that internal controls over the accounting of student funds are still not in place. When the custodians of the funds (including the previous custodians) were interviewed, and the current system for recording and reporting were reviewed, we noted the following inadequacies and deficiencies:

Inadequate Record Keeping

The custodian has columnar pads on which to record the amounts received or paid on behalf of each student organization. These columnar pads, therefore, serve as subsidiary ledgers. Aside from these pads, the only other records are copies of receipts issued to the student organizations when they give money to the custodian, copies of checks issued for payments, and monthly bank statements.

The custodian does not maintain a separate record where all in-and-out cash transactions are recorded systematically (such as cash receipts being recorded with reference to the date of the receipt, the official receipt no. issued, and the deposit date, while cash payments are recorded with reference to the date of payment and check no.), and the cash balance of the student funds is being updated each time a transaction is recorded. In the absence of such records, it is difficult to establish the accountability of the custodian. Bank reconciliation procedures cannot be performed to ascertain whether all cash transactions are being recorded, all monies received are being deposited, and payments are only being made by checks.

Inadequate Internal Control Procedures

The following internal control weaknesses were noted:

- Receipts were issued for collections received from the various student groups, but it was difficult to establish accountability because (1) collections are accumulated and deposited in periods ranging from a week to a month, and (2) evidence of deposits was not given to the organization which remitted the money to the custodian and deposits were not matched against the official receipts issued. When there were turnovers, the correct balance of the

student funds was not being established to determine how much money a previous custodian was accountable for.

- We examined the records of two student organizations -- the Sub-Committee (ring account) and the Homestay Program -- to determine controls at the student organization level. Our examination showed that, (1) the person in charge at the student organization level was also not maintaining all records that would reflect how much was turned over to the MHS student funds custodian, (2) the collections received by the person in charge of the student organization were turned over to the MHS student funds custodian at intervals ranging from a week to a month, and (3) the person in charge also made direct deposits of collections to the MHS student funds bank account without informing the fund custodian.
- \$4,248 of the total \$12,341 student group withdrawals from August to December 1997 was not supported by the required student organization withdrawal forms duly signed by the organization president or treasurer and countersigned by the teacher adviser.
- \$3,295 of the total \$3,606 disbursements from the administration account from August to December 1997 was not supported by invoices.
- There was one instance where instead of issuing a check, cash was given out in payment of administrative expenses.
- From August to December 1997, checks totaling \$45,145 issued from the student funds were not recorded in the student organization ledgers. Therefore, these student organization ledgers have inaccurate balances. For example, a check (check # 2260 dated September 18, 1997) for \$41,567 was issued to a Guam supplier on behalf of the ring account (recorded under the Sub-committee account). An examination of the ledger, however, showed that this account had a zero balance as of September 18, 1997 and a deposit of only \$3,850 was made on September 19. Either the subsidiary ledger balance was wrong or the ring account did not have enough funds, and used the money of the other student organizations.

When we asked the person in charge of the ring-committee account why a \$41,567 payment was made despite a balance of only \$3,850, the person in charge told us that she had previously collected and deposited funds to the MHS student funds account on behalf of the ring account. At the time she made the deposit, she was also the custodian of the student funds, and because of her work load, she was not able to maintain a ledger for the ring account and record the transactions in the ledger. It was only when she turned over custody of the student funds that she informed the succeeding custodian to start maintaining a ledger for the ring account.

Cause and Effect of Inadequate Records and Absence of Internal Control

The funds custodians (including the previous custodians) were, (1) not oriented on how to account for and maintain the funds, (2) not aware of OPA's prior audit recommendations, and (3)

not knowledgeable in establishing accounting records and unaware of the need for internal controls.

As a result, the correct balance of the student funds is not accounted for. The bank balance as of December 31, 1997 is \$15,848 less than the total balance of the individual student organization ledgers maintained by the custodian as of the same date. The details of the student group fund balances maintained by the custodian as of December 31, 1997 compared to the bank balance as of the same date is shown in **Table 1** on next page.

Our inquiry to the funds custodian revealed that no reconciliation of the individual student fund balances were made against the records maintained by the student organizations. Likewise, there was no reconciliation of the MHS student fund balance per bank statements against the total balance per the funds custodian, and interest income from the checking account of \$333.60 from August to December, 1997 was not recorded. Our inquiry to the prior custodian on July 14, 1998 also disclosed that she likewise did not perform any reconciliation, and did not record any interest income during the period in which she handled the funds. Financial status reports of the funds were also not prepared.

Since our inquiry to the custodians showed that the MHS student funds balances had never been reconciled with the bank balance, we could not determine when the differences began. The \$15,848 discrepancy noted above did not consider any reconciling items that may have accounted for the difference.

Conclusions and Recommendations

The MHS student funds financial records are inadequate to determine what happened to the \$5,069 that was paid back by a former principal and the former custodian for what they took from the fund during their term in SY 1991 to 1992. Consequently, MHS has not identified the student organizations that were deprived of the use of their funds, and the risk still exists that the recouped \$5,069 will be lost or used improperly.

Student Organization	12/31/97 Ledger Balances
FFA Organization	\$8,616
Activity Office - Homestay Program	6,506
National Honor Society	5,164
Adm. - Textbook Obligation	4,091
Sub-Committee Activity	3,850
JROTC	3,229
Administration - Finance Account	2,378
Registrar/Counseling	2,291
Class of 1999	2,169
Class of 1998	2,141
Class of 2000	1,134
Close-Up	816
C.C. Club	694
MHS Cheerleaders	529
Class of 1997	486
Junior State of America, MHS	313
Antigo Club	301
Yearbook 1996	193
Counseling - PSAT	153
Earth Friends	140
Gym Funds	100
Student Council	88
PFP	44
PTA: Water Donation	20
Class of 2001	20
Thespian	8
Admin (Beautification)	6
Total	45,480
Bank Balance	29,632
Difference	\$15,848

Table 1

In addition, the funds custodians (including the previous custodians) were (1) not oriented on how to account for and maintain the fund, (2) unaware of OPA's prior audit recommendations, and (3) not knowledgeable in establishing accounting records and unaware of the need for internal controls. As a result, the correct balance of the student funds is not accounted for. The bank balance as of December 31, 1997 is \$15,848 less than the total balance of the individual student organization ledgers maintained by the custodian as of the same date.

Accordingly, we recommend that: (1) the Commissioner direct MHS to submit quarterly financial status reports of all of its fund-raising activities pursuant to BOE Policy No. 703.8; (2) the MHS principal submit a reconciliation of the balances of the MHS student funds maintained by the custodian as of December 31, 1997 with the bank balance for the same period. Thereafter, monthly reconciliations should be prepared on a regular basis. Balances of each student organization as maintained at the organization level should likewise be periodically reconciled with the balance as maintained by the funds custodian; and (3) the custodian adopt a format of record keeping similar to that shown in **Appendix A**, where all in-and-out cash transactions are recorded systematically, and the cash balance of the student funds is updated each time a transaction is recorded.

In addition, the following internal control procedures should be implemented by the MHS student funds custodian:

- a) Collections should be deposited intact on the same day or the next banking day. Deposits should be matched against the official receipts. Also, official receipts for the student funds should be used solely for the student funds, and must be properly accounted for.
- b) Invoices supporting payments must be obtained from the payees, recorded, and filed accordingly.
- c) No payments should be made by cash.
- d) No withdrawal of funds by the student organizations should be made unless it is supported by a student organization withdrawal form duly signed by the organization president or treasurer and countersigned by the teacher adviser. The custodian should be aware of the identities of the officers and advisers of the various student organizations.
- e) Quarterly financial status reports should be prepared and submitted to the Commissioner.
- f) A statement of accountability by the retiring custodian should be prepared before turning the records over to the succeeding custodian, and the succeeding custodian should likewise be oriented on how to account for the funds.

In our exit meeting of July 22, 1998, the custodian stated that she would immediately implement the internal controls mentioned above.

Education Commissioner's Response

The MHS principal was furnished a copy of the Commissioner's letter to OPA dated December 15, 1998 (see **Appendix B**). In her letter, the Commissioner concurred with the findings and recommendations and accordingly directed MHS to submit quarterly financial status reports as required by BOE policy 703.8. She also directed MHS to submit monthly reconciliations of the bank account balances no later than 15 days after the end of the month together with the monthly financial report.

OPA Comments

Based on the response of the Commissioner dated December 15, 1998 (**Appendix B**), we consider Recommendation 1 closed.

Student Funds Custodian's Response

The custodian who managed the funds during the period of our follow-up audit left MHS in October 1998. Accordingly, the custodian who succeeded her responded to the report.

Together with his response dated December 14, 1998 (**Appendix C**), the current custodian submitted a statement of cash receipts and disbursements of the student funds for the month ended October 31, 1998 and a bank reconciliation statement as of the same date. The current custodian stated that a cash basis general ledger of all the funds is maintained on the computer using Quicken, and although the monthly report is not as detailed as the sample shown in **Appendix A**, the supporting details can be found in the general ledger.

The \$15,848 discrepancy between the total student funds per record and the bank statement noted in our draft report had been reduced to \$13,681 as of October 31, 1998. The current custodian stated that MHS eliminated the discrepancy by writing off the amount against the administration - food court account and that no student fund needs to be reduced. He further said that MHS received clarification from the Commissioner as to what purposes the food court fund may be used and that the Commissioner gave permission to use the profits from the food court account for educational purposes such as school supplies, school maintenance, and substitute teaching.

OPA Comments

The current custodian submitted a bank reconciliation statement of the student funds as of October 31, 1998. Although the draft report stated that a reconciliation as of December 31, 1997 should be submitted, we accept the October 31, 1998 reconciliation submitted by MHS. However, we have doubts whether writing off the bank reconciliation discrepancy against the administration-food court account can be considered using the food court account for educational purposes or activities in accordance with BOE policy 1008.5. In the absence of a definition of what constitutes educational purpose or educational activity, we cannot determine what miscellaneous funds can be spent for. Accordingly, we recommend that the Commissioner define what constitutes educational purpose or educational activity and include such definition in its policy manual (Recommendation 4).

Based on the response of the current custodian, we consider Recommendations 2 and 3 closed, while Recommendation 4 is open. The additional information needed to close Recommendation 4 is presented in **Appendix D**.

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Our office has implemented an audit recommendation tracking system. All audit recommendations will be included in the tracking system as open or resolved until we have received evidence that the recommendations have been implemented. An *open* recommendation is one where no action or plan of action has been made by the client (department or agency). A *resolved* recommendation is one in which the auditors are satisfied that the client cannot take immediate action, but has established a reasonable plan and time frame of action. A *closed* recommendation is one in which the client has taken sufficient action to meet the intent of the recommendation or we have withdrawn it. Please provide to us the status of the recommendation implementation along with the documentation showing the specific actions taken.

Please provide to us the status of recommendation implementation within 30 days along with documentation showing the specific actions that were taken. If corrective actions will take longer than 30 days, please provide us additional information every 60 days until we notify you that the recommendations have been closed.

Sincerely,

Leo L. LaMotte
Public Auditor, CNMI

cc: Governor
Lt. Governor
Eleventh CNMI Legislature (27 copies)
Acting Attorney General
Secretary of Finance
Acting Special Assistant for Management and Budget
Public Information Officer
Commissioner of Education
Press

Marianas High School Student Fund
Sample Monthly Financial Report
January 1 to 31, 1998

Date	Reference	Particulars	FFA Organization	Homestay Prog.	Honor Society	Adm. Textbook	Sub-Com Activity	JROTC	Adm-Fin Account	Registrar/ Counselling	Class of 1997	Class of 1998
1/01/98	Dec. Report	Monthly beginning balances	8,616.00	6,506.00	5,164.00	4,091.00	3,850.00	3,229.00	2,378.00	2,291.00	486.00	2,141.00
1/06/98	O.R. 4544	collection from Mr. ___ of Honor Society			15.00							
1/06/98	O.R. 4545	candy gram sale - Honor Society			27.47							
1/07/98	Ck. no. 2300	Airline ticket		(6,280.00)								
1/07/98	O.R. 4546	void										
1/07/98	Dep. Tkt. no. 1	deposit for O.R. nos. 4544 and 4545										
1/08/98	O.R. 4547	Deposit - Close-up										
1/08/98	Dep. Tkt. no. 2	deposit for O.R. no. 4547										
1/08/98	Ck. no. 2301	void										
1/08/98	Ck. no. 2302	void										
1/08/98	Ck. no. 2303	Jostens - payment for _____									(486.00)	
1/08/98	Ck. no. 2304	Pizza Hut - payment for _____		(118.96)								
1/12/98	O.R. 4548	Deposit - close-up										
1/13/98	O.R. 4549	Deposit - close-up										
1/14/98	O.R. 4550	Deposit - close-up										
1/14/98	Dep. Tkt. no. 3	deposit for O.R. nos. 4548, 4549, 4550										
		TOTALS	8,616.00	107.04	5,206.47	4,091.00	3,850.00	3,229.00	2,378.00	2,291.00	0.00	2,141.00

NOTES:

- 1 The above transactions do not reflect the actual transactions of the student organizations for January 1998. They are but illustrations on how the recording of the MHS Student Fund could be properly done.
- 2 The monthly beginning balances should be carried over from the previous month.
- 3 Collections should be recorded with reference to the date, Official Receipt (O.R.) number, and a short description of what the collection was for. Said collection should be recorded under the column of the organization where the collection was received, and at the same, it should also be recorded under the "Collection" and "Balance (On Hand)" column.
- 4 Disbursements/payments should be recorded with reference to the date, check number, payee, and a short explanation of what the payment was for. Said disbursement should be recorded as a deduction under the column of the organization where the disbursement pertained to, and at the same time, it should also be recorded under the "Payments" column.
- 5 Deposits to the bank should be supported by deposit tickets. Said deposit tickets should be numbered and recorded with reference to the date of the deposit, the deposit ticket number, and the O.R. numbers to which the deposit pertained to. The total deposit made should be forwarded as a deduction under the "Balance (On Hand)" column.
- 6 Total monthly transaction should be obtained by getting the ending balances of each student organization. In performing bank reconciliation, the total collection and payments could be matched against those in the bank statement.
- 7 The ending balances of each student organization would then become the beginning balances for the next month.
- 8 A separate column could also be added to record the monthly interest earned by the account.

Marianas High School Student Fund
Sample Monthly Financial Report
January 1 to 31, 1998

Date	Reference	Particulars	Class of 1999	Class of 2000	Class of 2001	Close-up	CC Club	MHS Cheerleaders	Jr State of America	Antigo Club	Yr Book 1996	Counseling PSAT
1/01/98	Dec. Report	Monthly beginning balances	2,169.00	1,134.00	20.00	815.00	691.00	528.00	313.00	301.00	193.00	153.00
1/06/98	O.R. 4544	collection from Mr. ___ of Honor Society										
1/06/98	O.R. 4545	candy gram sale - Honor Society										
1/07/98	Ck. no. 2300	Airline ticket										
1/07/98	O.R. 4546	void										
1/07/98	Dep. Tkt. no. 1	deposit for O.R. nos. 4544 and 4545										
1/08/98	O.R. 4547	Deposit - Close-up				100.00						
1/08/98	Dep. Tkt. no. 2	deposit for O.R. no. 4547										
1/08/98	Ck. no. 2301	void										
1/08/98	Ck. no. 2302	void										
1/08/98	Ck. no. 2303	Jostens - payment for _____										
1/08/98	Ck. no. 2304	Pizza Hut - payment for _____										
1/12/98	O.R. 4548	Deposit - close-up				25.00						
1/13/98	O.R. 4549	Deposit - close-up				25.00						
1/14/98	O.R. 4550	Deposit - close-up				30.00						
1/14/98	Dep. Tkt. no. 3	deposit for O.R. nos. 4548, 4549, 4550										
		TOTALS	2,169.00	1,134.00	20.00	995.00	691.00	528.00	313.00	301.00	193.00	153.00

NOTES:

- 1 The above transactions do not reflect the actual transactions of the student organizations for January 1998. They are but illustrations on how the recording of the MHS Student Fund could be properly done.
- 2 The monthly beginning balances should be carried over from the previous month.
- 3 Collections should be recorded with reference to the date, Official Receipt (O.R.) number, and a short description of what the collection was for. Said collection should be recorded under the column of the organization where the collection was received, and at the same time, it should also be recorded under the "Collection" and "Balance (On Hand)" column.
- 4 Disbursements/payments should be recorded with reference to the date, check number, payee, and a short explanation of what the payment was for. Said disbursement should be recorded as a deduction under the column of the organization where the disbursement pertained to, and at the same time, it should also be recorded under the "Payments" column.
- 5 Deposits to the bank should be supported by deposit tickets. Said deposit tickets should be numbered and recorded with reference to the date of the deposit, the deposit ticket number, and the O.R. numbers to which the deposit pertained to. The total deposit made should be forwarded as a deduction under the "Balance (On Hand)" column.
- 6 Total monthly transaction should be obtained by getting the ending balances of each student organization. In performing bank reconciliation, the total collection and payments could be matched against those in the bank statement.
- 7 The ending balances of each student organization would then become the beginning balances for the next month.
- 8 A separate column could also be added to record the monthly interest earned by the account.

Marianas High School Student Fund
Sample Monthly Financial Report
January 1 to 31, 1998

Date	Reference	Particulars	Earth Friends	Gym Funds	Student Council	PFP	PTA Water Donation	Thespian	Adm Beautification	Collection	Payment	Balance (On Hand)	Balance (In Bank)
1/01/98	Dec. Report	Monthly beginning balances	140.00	100.00	88.00	44.00	20.00	8.00	6.00				45,475.00
1/06/98	O.R. 4544	collection from Mr. ___ of Honor Society								15.00		15.00	
1/06/98	O.R. 4545	candy gram sale - Honor Society								27.47		27.47	
1/07/98	Ck. no. 2300	Airline ticket									(6,280.00)		(6,280.00)
1/07/98	O.R. 4546	void											
1/07/98	Dep. Tkt. no. 1	deposit for O.R. nos. 4544 and 4545										(42.47)	42.47
1/08/98	O.R. 4547	Deposit - Close-up								100.00		100.00	
1/08/98	Dep. Tkt. no. 2	deposit for O.R. no. 4547										(100.00)	100.00
1/08/98	Ck. no. 2301	void											
1/08/98	Ck. no. 2302	void											
1/08/98	Ck. no. 2303	Jostens - payment for _____									(486.00)		(486.00)
1/08/98	Ck. no. 2304	Pizza Hut - payment for _____									(118.96)		(118.96)
1/12/98	O.R. 4548	Deposit - close-up								25.00		25.00	
1/13/98	O.R. 4549	Deposit - close-up								25.00		25.00	
1/14/98	O.R. 4550	Deposit - close-up								30.00		30.00	
1/14/98	Dep. Tkt. no. 3	deposit for O.R. nos. 4548, 4549, 4550										(80.00)	80.00
		TOTALS	140.00	100.00	88.00	44.00	20.00	8.00	6.00	222.47	(6,884.96)	0.00	38,812.51
									38,812.51				

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

STATE BOARD OF EDUCATION
PUBLIC SCHOOL SYSTEM

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SAIPAN, MP 96950



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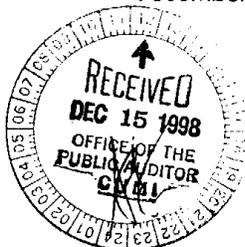
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STUDENT REP.
MERCED A. ADA

Leo L. LaMotte
Public Auditor
Office of the Public Auditor
P.O. Box 1399
Saipan, MP 96950

December 15, 1998

Commissioner of Education
Rita Hocog Inos, Ed.D



Dear Mr. LaMotte:

The purpose of this letter is to provide my response to your draft audit and follow-up report on MHS Student Funds 1991-1992. We agree with your findings and recommendations. Accordingly, I am directing MHS to submit quarterly financial status reports as required by BOE Policy 703.8.

We shall also require monthly account balances that reconcile in total with the bank account balance. This monthly reconciliation shall be submitted directly to my office no later than 15 days after the end of the month (i.e. for the month ending December 31, 1998 - this reconciled report is due in my office no later than by January 15, 1999). Lastly, MHS shall submit a simply double entry monthly financial report form (modeled on your example) along with a copy of their reconciled monthly bank account statement.

We will provide an orientation and training on how to maintain these accounts if MHS requests this assistance. Another option we will offer, is depositing the funds into a special MHS account with all the student activity subaccounts maintained by our central office accounting staff.

Thank you.

Rita Hocog Inos
Rita Hocog Inos, Ed. D
Commissioner of Education

xc: BOE
Principal, MHS

Board of Education
Telephone: (670) 664-3711/3727
Fax : (670) 664-3717/3711

website: <http://www.saipan.com/gov/branches/pss/index.htm>

Commissioner of Education
Telephone: (670) 664-3770
Fax : (670) 664-3798

December 14, 1998

Mr. Leo L. LaMotte
Public Auditor, CNMI

Dear Mr. LaMotte:



Subject: Response to November 23, 1998 letter to Marianas High School - regarding Recommendation 3 of the Draft Report of the Public Auditor's Office.

We are enclosing a monthly statement of Cash Receipts and Disbursements that I prepared for the school. A copy was given to all clubs, the school administration, and the Commissioner of Education. In addition a bank reconciliation is performed monthly, and a Cash Basis General Ledger is maintained for all funds on the computer using Quicken. Our monthly Report is not as detailed as your example, but all the supporting detail may be found in the general ledger.

We disposed of the Bank Reconciliation adjustment by writing off the amount against the administration account - the Food Court account. No student fund account will be adjusted. We also received clarification as to what purposes our Food Court fund may be used for from the Commissioner. Basically she granted us permission to use our profits from Cafeteria sales for educational purposes which would include school supplies, school maintenance, and substitute teaching.

We hope our efforts meet with your approval.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Richard Waldo'.

Richard Waldo
MHS Student Fund Custodian

Marianas High School				
Non-Appropriated Activities Fund				
For Month Ended October 31, 1998				
Activity	Bal at Beg of Month	Receipts	Disbursements	Bal at End of Month
Admin Account	-358.08	2673.22	204.39	2110.75
Admin Textbook	5012.17		35.00	4977.17
Admin Gym	100.00			100.00
Chuuckese Club	0.00	356.00		356.00
Class of 1998	2238.87			2238.87
Class of 1999	501.03			501.03
Class of 2000	62.78			62.78
Class of 2001	447.22			447.22
Close Up	2697.80	1676.66	2149.23	2225.23
Counseling	153.41			153.41
C.C. Club	1850.00	2023.00		3873.00
Regis-Counseling	391.41			391.41
FFA	375.31	600.82		976.13
Food Court	7245.53	12287.25	20843.45	-1310.67
Homestay	306.79	4175.20		4481.99
Japanese Club	0.00	551.84		551.84
Josten's Sub Comm.	98.44			98.44
JROTC	1121.75			1121.75
JSA	1022.97	1193.82	380.28	1836.51
Korean Club	2.37	292.50		294.87
MHS Cheerleader	528.50			528.50
MHS Outrigger	0.00	200.00		200.00
NHS	1545.04	2973.81	892.20	3626.65
Pohnpeian Club	0.00	565.28		565.28
STUCO	438.38			438.38
TAP	0.00	1250.00	1163.00	87.00
Thespian	33.96	724.32		758.28
Yearbook'96-'97	192.97			192.97
Balance per Books	26008.62	31543.72	25667.55	31884.79
			TOTAL	31884.79

Richard Walden
School Financial Officer

Approved 
Principal

Bank Reconciliation

School	Marianas High School	Date	October 31, 1998
Balance on General Ledger Control:	\$31884.79	Balance on Bank Statement:	\$27012.24
LESS: Union Bank Account		PLUS: Deposit in Transit	None
Jostens	2416.99		
LESS: Unreconciled Difference	13681.32	LESS: Checks Outstanding	
Total Adjustments:	16098.31	Check #	Amount
		1110	100.00
		1115	35.51
		1132	2.08
		1133	4.16
		1136	76.64
		1137	50.00
		1139	30.00
		1140	13.17
		Total Checks Outstanding	11225.76
Correct Book Balance:	\$15786.48	Correct Bank Balance	\$15786.48

Prepared by:  Title School Financial Officer
Name

Approved by:  Date: 12/14/98

STATUS OF RECOMMENDATIONS

Recommendations	Agency to Act	Status	Agency Response/Additional Information or Action Required
1. The Commissioner should strictly enforce the MHS to submit a quarterly financial status report of all of its fund-raising activities pursuant to BOE Policy No. 703.8.	PSS	Closed	The Commissioner, in his letter to OPA dated December 15, 1998 (Appendix B), directed MHS to submit quarterly financial status reports as required by BOE policy 703.8 and furnished the MHS principal a copy of her letter.
2. The MHS principal should submit a reconciliation of the balances of the MHS student funds as maintained by the custodian as of December 31, 1997 against the balance per bank for the same period. Thereafter, monthly reconciliation should be prepared regularly. Balances of each student organization as maintained at the organization level should likewise be periodically reconciled with the balance as maintained by the funds custodian.	MHS	Closed	The current custodian of the student funds submitted a bank reconciliation statement as of October 31, 1998 and stated that the discrepancy of \$13,681.32 was written off against the administration-food court fund. The current custodian also stated that the Commissioner granted her permission to use the profits from the cafeteria sales for educational purposes which would include school supplies, school maintenance, and substitute teaching.
3. The custodian should adopt a format of record keeping similar to that shown in Appendix A , where all in-and-out cash transactions are recorded systematically, and the cash balance of the student funds is updated each time a transaction is recorded	MHS	Closed	The current student funds custodian in his letter dated December 14, 1998 (Appendix C) stated that a cash basis general ledger of all the student funds is maintained on the computer using Quicken.
4. The Commissioner should define what constitutes educational purpose or educational activity and include such definition in its policy manual.	PSS	Open	<i>Further Action Required</i> The Commissioner should furnish OPA a copy of its amended policy manual where educational purpose and educational activity is clearly defined.