

Internal Audit Report

**Chesapeake Math and IT Academy – North
Middle and High Public Charter
School Activity Funds**

For the Period Ended September 30, 2023

Chesapeake Math and IT Academy – North Middle and High Public Charter
School Activity Funds
Internal Audit Report
For the period ended September 30, 2023

Table of Contents

INTERNAL AUDITOR’S REPORT.....	2
SUMMARY	3
OBJECTIVES	3
SCOPE	3
FINDINGS AND RECOMMENDATIONS.....	4
STATUS OF PRIOR AUDIT FINDINGS	7
ACKNOWLEDGEMENT	7

Chesapeake Math and IT Academy – North Middle and High Public Charter
School Activity Funds
Internal Audit Report
For the period ended September 30, 2023

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Chesapeake Math and IT (CMIT) Academy – North Middle and High Public Charter School for the period July 1, 2022 through September 30, 2023. CMIT – North Middle and High Public Charter 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 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:

- *End of year Monetary Transmittal Form Process*
- *Untimely Deposit of Funds Received*
- *Mismanagement of Disbursements*
- *Untimely Completion of Monthly Financial Reporting*

Individually or in 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, there is significant non-compliance with BOE policies and procedures and the APM, for CMIT – North Middle and High Public Charter School's SAF, for the period ended September 30, 2023.



Michele Winston, CPA
Director, Internal Audit

Chesapeake Math and IT Academy – North Middle and High Public Charter
School Activity Funds
Internal Audit Report
For the period ended September 30, 2023

SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for **CMIT – North Middle and High Public Charter School** for the period July 1, 2022 through September 30, 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 to be in accordance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

This audit report includes **4** findings which 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 to determine whether the school was following 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 all selected bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2022 through September 30, 2023. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

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.

Chesapeake Math and IT Academy – North Middle and High Public Charter
School Activity Funds
Internal Audit Report
For the period ended September 30, 2023

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2024.01 End of Year Monetary Transmittal Form Process

There were **11** instances of noncompliance regarding Monetary Transmittal Forms (MTFs):

- MTF pink originator remittance copies were submitted to recordkeeping rather than retained by the originator.
- MTF end-of-year envelopes were not signed or sealed.
- Originator MTF remittance copies could not be located.
- Staff end-of-year MTF envelopes could not be located.

According to the APM Section 4.5.2.2 *Cash Receipts Procedures*, the pink copy of the MTF is retained by the preparers of the form. The white and yellow copies are submitted to recordkeeping staff with cash. After approving a MTF, recordkeeping staff returns the yellow copy to the originator. Prior to departing at year-end, faculty and program managers are required to submit the pink and yellow copies of the MTF(s) in a sealed envelope (with their signature over the seal) to the designated administrator.

Chesapeake Math and IT (CMIT) North Middle and High Schools shared a bank account during the audit period and recordkeeping responsibilities for both schools were normally handled by the recordkeeping staff at the High School. CMIT High School's recordkeeping staff was on extended leave during the audit period beginning in February 2023. Staff at CMIT North Middle School partnered with the Accounting and Financial Reporting Office to be trained to perform recordkeeping duties as quickly as possible, and was unfamiliar with many of the recordkeeper's responsibilities. CMIT North Middle School's staff was not familiar with the MTF pink remittance copy and end-of-year MTF closeout procedures. Additionally, one staff member departed CMIT North High School while the school year was in progress, and their end-of-year MTF closeout process was overlooked.

The audit trail for reviewing cash receipts is compromised when the MTF submission process is not followed. As a result, internal controls for ensuring that all student activity funds collected were subsequently deposited was weakened, and the potential for loss of assets increased.

Recommendations: Staff must be reminded of their responsibility for the student activity fund year-end checkout process. The recordkeeping staff should print the School Funds Online (SFO) "Receiptee History" report and provide it to the administrator responsible for collecting MTF envelopes at the end of the school year. The principal should instruct the administrator to obtain

Chesapeake Math and IT Academy – North Middle and High Public Charter
School Activity Funds
Internal Audit Report
For the period ended September 30, 2023

the MTF envelopes based on the SFO report. Staff should be held accountable for appropriately returning their MTF envelopes as part of the year-end checkout process. The principal or designee should ensure that the year-end MTFs remain in sealed envelopes until reviewed by Internal Audit.

2024.02 Untimely Deposit of Funds Received

There were **2** instances where funds were not deposited in a timely as required.

According to APM Section 4.5.2.2 *Cash Receipts Procedures*, recordkeeping staff must make deposits of all funds received at least every other day. However, no more than \$250 should be kept in the building overnight.

Reportedly, recordkeeping staff was not able to promptly make these deposits due to competing responsibilities.

Delinquent deposit of funds received constitutes noncompliance with BOE policies and procedures, impacts the quality of financial reporting and decision-making, and increases the risk of loss to the school.

Recommendations: The principal should remind staff of their responsibilities for remittance and deposit of funds. Staff members must be required to remit funds to the recordkeeping staff on the day of collection. Staff should promptly validate funds dropped into the school's safe when recordkeeping staff is not available. The recordkeeping staff should establish a daily schedule for opening the school safe to verify the contents. The principal should hold the recordkeeping and school staff accountable for compliance.

2024.03 Mismanagement of Disbursements

There were at least **4** instances of noncompliance regarding the disbursement of funds:

- ***Checks Missing Authorized Signature*** – There were at least **2** disbursements were made with less than two authorized signatures.
- ***Delinquent Invoice Payments*** – There were **2** instances where vendor payments were made 202 and 262 days delinquent. ***This finding was noted during the previous audit period ended June 30, 2022.***

According to APM Section 4.5.3.1 *Cash Disbursements Procedures*, invoices should be paid within 30 days of receipt. Further, APM Section 3.2 *Authority & Responsibility, Exhibit B* states that payments should be made within 30 days of the invoice date, or by the due date on the invoice. Additionally, two authorized signatures are required on all checks.

Chesapeake Math and IT Academy – North Middle and High Public Charter
School Activity Funds
Internal Audit Report
For the period ended September 30, 2023

CMIT North Middle and High Schools shared a bank account during the audit period and recordkeeping responsibilities for both schools were normally handled by the recordkeeping staff at the High School. CMIT North High School's recordkeeping staff was on extended leave beginning in February 2023. CMIT North Middle School's recordkeeping staff process disbursements during this period despite being unfamiliar with the cash disbursement procedures and check signature requirements.

Reportedly, senior class funds were inappropriately administered by a staff member. As a result, Internal Audit was requested to conduct an investigation by the principal. The vendor payment was suspended until the investigation was completed. This resulted in a 262-day delayed payment to a vendor.

The school sponsors students through Hugh O'Brian Youth Leadership foundation, which is usually an approved vendor. The vendor did not renew their information for approval status with PGCPs in FY 22, and the school delayed issuing payments on outstanding invoices until their approval status was reinstated in December, 2022, resulting in a 202 days delayed payment.

Internal controls over the disbursement of funds are compromised when checks are issued without dual signatures. Financial records do not accurately reflect the school's financial position when invoices are not paid in a timely manner. The school could also incur late payment fees.

Recommendations: The principal and recordkeeping staff should implement procedures to ensure consistent timely processing disbursements. This process should include adhering to the dual signature requirement on issued checks and verifying the eligibility of vendors during the preapproval of expenditures process prior to committing school funds. Staff members must be reminded of their responsibility for processing the school's senior class activities in accordance with the APM.

2024.04 Untimely Completion of Monthly Financial Reporting

There were **5** instances where monthly financial reporting was not completed by recordkeeping staff and reviewed by the principal in a timely manner. ***This finding was noted during the previous audit period ended June 30, 2022.***

According to APM section 5.1.2 *Monthly Reconciliation and Financial Reporting*, recordkeeping staff is required to complete the reconciliation within 7 days of receiving the bank statement. All monthly reports should be completed and submitted to the principal for review and approval by the 15th of the following month.

CMIT North High School recordkeeping staff was absent from the school on extended leave during the audit period. During this time, the Accounting and Financial Reporting Office aided the school with completing the monthly financial reports for February, March, April, May, and June 2023. In these cases, monthly reports were not sent to the principal for review. CMIT North

Chesapeake Math and IT Academy – North Middle and High Public Charter
School Activity Funds
Internal Audit Report
For the period ended September 30, 2023

High School's principal was on leave when July 2023's financial reports were completed and conducted her reviewed immediately upon her return to the school.

The principal's fiscal responsibility is compromised when monthly financial reporting is not available and/or reviewed timely. The principal is unable to make informed financial decisions when monthly financial reporting is not available for review and approval.

Recommendation: The principal and recordkeeping staff should implement procedures to ensure that monthly financial reporting is accomplished in accordance with the requirements included in the APM (bank reconciliation within 7 days of receiving the bank statement, and the principal's review and approval completed by the 15th of the following month). The recordkeeping staff should ensure that the financial reports are available for the principal to make fiscally responsible decisions on behalf of the school.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Chesapeake Math and IT – North Middle/High Public Charter School was issued for the period ended June 30, 2022. The current principal was on staff during that audit; the current recordkeeping staff was on staff during that audit. There were **5** findings noted as a result of that audit and **2** are repeated as summarized below.

- **Disposition of Senior Class Accounts** – Condition was not noted during this audit.
- **Untimely Completion of Monthly Financial Reporting** – Condition still exists. See **Finding 2024.04** regarding *Untimely Completion of Monthly Financial Reporting*.
- **Records Retention** – Condition was not noted during this audit.
- **Insufficient Documentation of Deposits** – Condition was not noted during this audit.
- **Mismanagement of Disbursements** – Condition still exists. See **Finding 2024.03** regarding *Mismanagement of Disbursements*.

ACKNOWLEDGEMENT


We would like to thank the principal and staff of CMIT – North Middle/High Public Charter School for their cooperation and assistance extended during the audit.

Prince George's County Public Schools
Internal Audit Department
School/Office: CMIT North MS & HS
Response Due Date February 29, 2024

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2024.01 End of Year Monetary Transmittal Form Process</u>	Staff must be reminded of their responsibility for the student activity fund year-end checkout process. The recordkeeping staff should print the School Funds Online (SFO) "Receiptee History" report and provide it to the administrator responsible for collecting MTF envelopes at the end of the school year. The principal should instruct the administrator to obtain the MTF envelopes based on the SFO report. Staff should be held accountable for appropriately returning their MTF envelopes as part of the year-end checkout process. The principal or designee should ensure that the year-end MTFs remain in sealed envelopes until reviewed by Internal Audit.	Concur	During the end of the SY2023, the Bookkeeper was out on an approved leave of absence, and was not available to ensure this process was followed. Currently there are staff members in place to ensure this process is handled in any situation. The Bookkeeper also hosts monthly training/reminder sessions during the staff meetings to ensure all staff members understand the process.	02/29/2024	Implemented

Principal Signature _____


Date _____


 Date 2/29/24

2.	<u>2024.02 Untimely Deposit of Funds Received</u>	The principal should remind staff of their responsibilities for remittance and deposit of funds. Staff members must be required to remit funds to the recordkeeping staff on the day of collection. Staff should promptly validate funds dropped into the school's safe when recordkeeping staff is not available. The recordkeeping staff should establish a daily schedule for opening the school safe to verify the contents. The principal should hold the recordkeeping and school staff accountable for compliance.	Concur	Going forward, the Bookkeeper will remind the staff to follow the timeframe to submit funds on a daily basis before 2pm. The Bookkeeper will ensure there is time to take money to the bank no later than 2pm every day.	02/29/2024	Implemented
3.	<u>2024.03 Mismanagement of Disbursements</u>	The principal and recordkeeping staff should implement procedures to ensure consistent timely processing disbursements. This process should include adhering to the dual signature requirement on issued checks and verifying the eligibility of vendors during the preapproval of expenditures process prior to committing school funds. Staff members must be reminded of their responsibility for processing the school's senior class activities in accordance with the APM.	Concur	The Bookkeeper will continue to make all payments due on time. There is currently a plan in place for check writing, as the Bookkeeper was out on an approved leave and the current staff was unaware that the checks must have two signatures.	02/29/2024	Implemented

Principal Signature _____

Date _____


2/29/24

4.	<u>2024.04 Untimely Completion of Monthly Financial Reporting</u>	The principal and recordkeeping staff should implement procedures to ensure that monthly financial reporting is accomplished in accordance with the requirements included in the APM (bank reconciliation within 7 days of receiving the bank statement, and the principal's review and approval completed by the 15 th of the following month). The recordkeeping staff should ensure that the financial reports are available for the principal to make fiscally responsible decisions on behalf of the school.	Concur	CMIT North Middle School and CMIT North High School now have separate bank accounts. There is no need for the Bookkeeper to wait for the bank statement to arrive at a different location before being able to complete the monthly reconciliation report by the 15 th .	02/29/2024	Implemented
----	--	--	--------	---	------------	-------------

Principal Signature _____

Date 2/29/24