

Internal Audit Report

CMIT Academy South
Elementary Public Charter School
School Activity Funds

For the Period Ended September 30, 2023

CMIT Academy South - Elementary Public Charter School
School Activity Funds
Internal Audit Report
For Period Ended September 30, 2023

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of CMIT Academy South - Elementary Public Charter School for the period August 1, 2022, to September 30, 2023. CMIT Academy South Elementary Public Charter School's principal is responsible for the administration of the 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 findings:

- *Delinquent Monthly Financial Reporting, and*
- *Administration of Monetary Transmittal Forms,*

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 September 30, 2023.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

The Internal Audit Department has completed an audit of the school activity funds (SAF) for CMIT Academy South - Elementary Public Charter School for the period August 1, 2022, to September 30, 2023. The audit was conducted as part of the annual audit plan.

The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

This audit report includes 2 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 complied with the policies and procedures of the Accounting Procedures Manual for School Activity Funds (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 examination of selected bank statements, financial reports, canceled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted for the period August 1, 2022, to September 30, 2023. Also, available 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 school operating resources (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 Delinquent Monthly Bank Reconciliation

The monthly bank reconciliation process was not performed in the timeframe required. There were **2** instances where monthly bank reconciliations performed by the Accounting and Financial Reporting Office (AFRO) were not completed by the 15th of each month following the months reconciled. The delinquency was **29** and **59** days.

According to the APM, the principal is responsible for receiving the bank statement unopened. After reviewing the statement and canceled checks, the principal forwards the documents to the bookkeeper for reconciliation. The bookkeeper should complete the reconciliation within 7 days after receiving the statement from the bank. Typically, this process is completed by the 15th of each month. The completed reconciliation should be returned to the principal every month for review and approval.

The former recordkeeping staff resigned in August 2023. Since that time, the principal has relied on the AFRO to complete the school's monthly bank reconciliations. Insufficient resources in the AFRO has led to delays in assisting schools that are without a recordkeeping staff to complete monthly bank reconciliations. A new recordkeeping staff was hired; however, training has not occurred as of the end of fieldwork.

Failure to perform the monthly bank reconciliation process promptly increases financial risk to the school. Delayed reconciliations may allow errors or fraudulent transactions to go unnoticed for an extended period. Untimely preparation of monthly bank reconciliations has resulted in delinquent reviews between 52 and 112 days.

Recommendation: The principal must establish procedures to ensure the preparation and review of monthly bank reconciliations occur by the 15th of each month. The principal must contact the AFRO to ensure that training for the current recordkeeping is prioritized.

2024.02 Administration of Monetary Transmittal Forms

There were **10** instances noted where information in Section 1 of MTFs were not adequately documented. Under the *Bookkeeping Classification* section, the *Account to which transactions were to be Recorded* and *Amount* fields were not always completed.

According to the APM, Section 4.5.2.2 (1) *Procedures, Collecting Funds: Completing the Monetary Transmittal Form* The person collecting funds is responsible for filling in all required information. The MTF must be entirely completed with the following

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information. 1) who collected funds; 2) when it was collected; 3) from whom it was collected; 4) the amount and form of the collection; and 5) the reason for collecting. The bookkeeper is prohibited from accepting a MTF if funds are not exactly as indicated in section 1.

Internal controls to ensure collections were processed as required were not always followed by the former recordkeeping staff. The former recordkeeping staff did not review the MTF to ensure completeness before accepting and approving MTFs and making deposits.

Audit evidence for ensuring that all funds collected are recorded in the correct account is not available when the required fields of the MTF are not entirely completed.

Recommendation: The principal and recordkeeping staff must establish procedures to ensure that each MTFs is adequately documented prior to approval.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for CMIT Academy South Elementary Public Charter School was issued for the period ended July 31, 2022. During the audit, the principal held that position. The previous audit did not yield any reportable conditions.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of CMIT Academy South - Elementary Public Charter School for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department**

School/Office: CMIT South Elementary School

Response Due Date April 12, 2024

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2024.01 Delinquent Monthly Bank Reconciliation</u>	The principal must establish procedures to ensure the preparation and review of monthly bank reconciliations occur by the 15th of each month. The principal must contact the AFRO to ensure that training for the current recordkeeping is prioritized.	Concur	<ol style="list-style-type: none"> 1. Identify the causes of the delay in monthly bank reconciliation. 2. Develop and implement clear procedures for the timely preparation and review of monthly bank reconciliations by the 15th of each month. 3. Ensure that designated staff are trained on these procedures and the importance of adhering to deadlines. 4. Contact the AFRO (Audit and Financial Reporting Office) to prioritize training sessions for current record keeping staff to enhance their skills in financial management and reconciliation processes. 	February 2024	<ol style="list-style-type: none"> 1. Implemented 2. Implemented 3. Implemented 4. Implemented
2.	<u>2024.02 Administration of Monetary Transmittal Forms</u>	The principal and recordkeeping staff must establish procedures to ensure that each MTFs is adequately documented prior to approval.	Concur	1. Conduct a comprehensive review of current procedures regarding Monetary Transmittal Forms (MTFs) documentation.	February 2024	<ol style="list-style-type: none"> 1. Implemented 2. Implemented

Principal Signature *Donald C. Williams Jr.*
Date *March 13, 2024*

				<ol style="list-style-type: none"> 2. Develop and implement standardized procedures to ensure that all MTFs are adequately documented prior to approval, including verification of supporting documentation and appropriate signatures. 3. Provide training to administrative and recordkeeping staff on the revised procedures for MTFs administration and documentation. 4. Establish a system for regular audits or reviews to ensure compliance with the new procedures. 		<ol style="list-style-type: none"> 3. Implemented 4. Implemented
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Principal Signature

Wald A. Kelly, Jr.

Date

March 13, 2024