

Internal Audit Report

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

For the Period Ended September 30, 2023

Chesapeake Math and IT Academy – South Middle and High Public Charter
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Internal Auditor's Report

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

- *Cash Receipts Not Accurately Recorded,*
- *Mismanagement of Disbursements,*
- *Administration of End-of-Year Monetary Transmittal Form Envelopes Collection,*
and
- *Improvement Needed in Management Oversight*

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 – South Middle and High Public Charter School's SAF, for the period ended September 30, 2023.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for **CMIT – South 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 **3** 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.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2024.01 Cash Receipts Not Accurately Recorded

There were **4** instances where funds received were not accurately recorded in the accounting system. The source and or purpose of the funds collected was recorded in the receiptee field instead of the name of the staff member receiving the funds. ***This finding was noted during the previous audit period ended June 30, 2022.***

The APM Section 3.2.1 *Bookkeepers/Financial Secretaries*, requires the bookkeeper or financial secretary to ensure that schools' financial transactions are accurately recorded and reported.

CMIT – South Middle and High Public Charter School processes transactions using funds from their sponsoring foundation as well as from the SAF. The recordkeeping staff was not familiar with the requirements for recording funds received at the school and overlooked errors in the MTF documentation.

The source and or purpose of funds cannot be verified when that information is not recorded in the appropriate field. Information for ensuring adequate financial reporting is obscured and the audit trail impacted when the fields in the accounting system are not used correctly.

Recommendations: The recordkeeping staff should carefully review MTF documentation to ensure that funds collected are accurately documented and reflected in the school's accounting system. The recordkeeping staff should review the APM to become familiar with her responsibility for ensuring the accuracy of financial transactions. The principal should perform periodic review of deposits recorded in the accounting system to ensure compliance.

2024.02 Mismanagement of Disbursements

There were **6** instances of noncompliance regarding the disbursement of funds:

- There were **4** instances where expenditures were not appropriately approved by the principal. The principal's approval was documented on the School Funds Expenditure Forms between **2** and **74 days** after purchases were made. ***This finding was noted during the previous audit period ended June 30, 2022.***
- There were **2** instances where expenditures were not properly recorded in the accounting system. Funds from account 212.35 *Boys Basketball Fundraising* were used to purchase women's basketball uniforms, and funds from account 213.35 *Boys OD Track* were used to purchase boys' basketball uniforms.

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According to APM Section 4.5.3.1 *Cash Receipts Procedures*, prior to ordering or purchasing goods or services, a School Funds Expenditure Form (SFEF) must be completed and signed by the principal. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete this form.

According to APM Section 4.3 *Fund Accounts*, as a general rule, a fund should be established for each unique organization, activity, or event that occurs in a school. Restricted Funds are those funds that are raised by a specific group and/or for a specific purpose and are used exclusively for that group and/or purpose and not for the general needs of the school. Categories within Restricted Funds are Athletics, Clubs, General, and Instructional.

CMIT – South Middle and High Public Charter School processed transactions using funds from their sponsoring foundation as well as from the SAF. The principal, athletics staff, and recordkeeping staff were not familiar with the requirements for SAF disbursements as listed in the APM. The Athletic Director used funds in the school's various athletics accounts in a general manner since the school does not receive an athletic allotment.

Lack of proper approval for the disbursement of school funds can be a contributory factor towards misuse, waste and fraud, can financially obligate the school for goods and services for which funds may not be available, and can lead to insolvency of the school. When disbursements are not appropriately funded, the school's financial records do not accurately reflect the source of funds and expenditures, and students may not derive the maximum benefit from funds they are owed.

Recommendations: Staff must be reminded of their responsibility to seek authorization by completing the SFEF and have the principal's approval prior to financially obligating the school. The current recordkeeping staff must ensure that, SFEFs accompany the checks that are submitted to the principal for signature. The principal should adopt procedures that would help ensure that funds are administered from the appropriate fund accounts.

2024.03 Administration of End-of-Year Monetary Transmittal Form Envelopes Collection

There were **10** instances from **1** staff member where pink MTF remittance copies 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 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.

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CMIT – South Middle and High Public Charter School processed transactions using funds from their sponsoring foundation as well as from the SAF. The principal was not familiar with the requirements for administering the end-of-year MTF process.

Ineffective end-of-year MTF submission process constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. The audit trail for ensuring that funds collected were subsequently remitted and deposited was compromised.

Recommendations: The principal should review the APM and become familiar with the end-of-year MTF process, and emphasize to staff the importance for adherence during professional development at the beginning of the school year. The recordkeeping staff should produce the “Receiptee History Report” in School Funds Online for review at the end of each school year to identify all staff MTFs that were processed for the year. Staff members must be held accountable for compliance.

2024.04 Improvement Needed in Management Oversight

The principal did not exercise proper oversight in the administration of the SAF during the audit period. The previous audit included 3 findings, **all** of which are repeated in this audit report.

According to APM Section 3.2.1 *Principals*, the principal acts as the fiduciary agent for the SAF. As such, responsibility for accounting, safeguarding, and managing the SAF in accordance with PGCPs policies and procedures rests solely with the principal.

The principal did not adequately implement the recommendations from the school’s previous audit for the period ending June 30, 2022, and did not provide effective oversight to adequately identify and address weaknesses in the school’s control environment.

Several BOE policies and procedures as established in the APM were not followed, resulting in the school’s internal controls being compromised. Students are not receiving the maximum possible benefit of the resources available to them.

Recommendations: The principal should carefully review the policies and procedures as defined in the APM and develop internal controls to ensure compliance. There should be consistent involvement in daily operations relating 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

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- Independent Checks on Performance.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for CMIT – South Middle and 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 also on staff during that audit. There were **3** findings noted as a result of that audit, which were repeated in the current audit report, summarized below:

- **Mismanagement of Funds Received** – Condition still exists. See **Finding 2024.01** regarding *Cash Receipts Not Accurately Recorded*.
- **Administration of End-of-Year Monetary Transmittal Form Envelopes Collection** – Condition still exists. See **Finding 2024.03** regarding *Administration of End-of-Year Monetary Transmittal Form Envelopes Collection*.
- **Mismanagement of Disbursements** – Condition still exists. See **Finding 2024.02** regarding *Mismanagement of Disbursements*.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of CMIT – South Middle and 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 South MS & HS
Response Due Date March 6, 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 Cash Receipts Not Accurately Recorded</u>	The recordkeeping staff should carefully review MTF documentation to ensure that funds collected are accurately documented and reflected in the school's accounting system. The recordkeeping staff should review the APM to become familiar with her responsibility for ensuring the accuracy of financial transactions. The principal should perform periodic review of deposits recorded in the accounting system to ensure compliance.	Concur	<ul style="list-style-type: none"> Principal met with recordkeeping staff to review the MTF documentation process. Recordkeeping staff received the APM and reviewed each page with the principal. Principal and recordkeeping staff will continue to meet monthly to review MTF documentation and process. 	N/A	Implemented

Principal Signature Darrian Borden-McCarter

Date March 6, 2024

2.	<u>2024.02</u> <u>Mismanagement</u> <u>of Disbursements</u>	Staff must be reminded of their responsibility to seek authorization by completing the SFEF and have the principal's approval prior to financially obligating the school. The current recordkeeping staff must ensure that, SFEFs accompany the checks that are submitted to the principal for signature. The principal should adopt procedures that would help ensure that funds are administered from the appropriate fund accounts.	Concur	<ul style="list-style-type: none"> Principal met with recordkeeping staff and Athletic Director to review the SFEF and financial approval process. Principal met with recordkeeping staff and the Athletic Director to review accounts available and how to appropriately transfer money from ticket sales. 	N/A	Implemented
3.	<u>2024.03</u> <u>Administration of</u> <u>End-of-Year</u> <u>Monetary</u> <u>Transmittal Form</u> <u>Envelopes</u> <u>Collection</u>	The principal should review the APM and become familiar with the end-of-year MTF process, and emphasize to staff the importance for adherence during professional development at the beginning of the school year. The recordkeeping staff should produce the "Receiptee History Report" in School Funds Online for review at the end of each school year to identify all staff MTFs that were processed for the year. Staff members must be held accountable for compliance.	Concur	<ul style="list-style-type: none"> Principal met with recordkeeping staff to review the MTF documentation process. Principal will review these procedures again before the end of year close out for self as well as staff members Staff members will be held accountable for compliance 	N/a	Implemented Partially

Principal Signature Darrian Borden-McCarter

Date March 6, 2024

4.	<u>2024.04</u> <u>Improvement</u> <u>Needed in</u> <u>Management</u> <u>Oversight</u>	The principal should carefully review the policies and procedures as defined in the APM and develop internal controls to ensure compliance. There should be consistent involvement in daily operations relating 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.	Concur	<ul style="list-style-type: none"> Principal has reviewed the APM policies and procedures and created a system to monitor the operations to ensure compliance 	N/A	Implemented
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Principal Signature Darrian Borden-McCarter

Date March 6, 2024