

Internal Audit Report

Imagine Foundations at Morningside
Public Charter School
School Activity Funds

For the Period Ended June 30, 2023

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Imagine Foundations at Morningside Public Charter School for the period July 1, 2022 to June 30, 2023. Imagine Foundations at Morningside 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 finding: *Administration of Checks*

In our opinion, the SAF referred to above has been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended June 30, 2023.

A handwritten signature in black ink, appearing to read 'M. Winston', with a stylized flourish at the end.

Michele Winston, CPA
Director, Internal Audit

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SUMMARY

An audit of the school activity funds (SAF) of Imagine Foundations at Morningside Public Charter School was completed for the period July 1, 2022 to June 30, 2023. The audit was conducted as part of the annual audit plan.

OBJECTIVES

The objectives of the audit were to determine the effectiveness of the system of internal controls and whether the school was in compliance 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, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period July 1, 2022 to June 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 SOR funds or any funds not derived from students' activities for the audit period.

FINDING AND RECOMMENDATIONS

The audit resulted in the following finding and recommendations:

2024.01 Administration of Checks

Checks were not properly administered in some cases:

- A. ***Voided Checks Not Properly Defaced:*** Voided checks were not properly defaced by removal of the signature lines.
- B. ***Checking Account Signatory Authority:*** The registrar, who is not an administrator, was added as the 3rd check signer on the school's checking account.

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The following criteria is established in the APM regarding the administration of checks:

- A. The APM, Section 4.5.3.2 & 4.5.3.4 (e), *Summary of Check Disbursement Procedures and Check Writing* respectively requires accounting for a physical check when an error is made at the time of processing or when a check is damaged. Voided checks are required to be defaced by the removal of the signature and account lines.
- B. The APM Section 4.2.2 *Bank Account Procedures* indicates that there should be three authorized signers on the checking account. The principal and bookkeeper should be the primary signers on the account. The third signer should be an administrator (a vice-principal, teacher-in-charge, or wing coordinator) who signs checks in the principal's absence.

The following summarizes the causes for the deficiencies noted:

- A. Reportedly, the checks were not properly voided due to the recordkeeping staff's oversight.
- B. The school did not have a vice principal for FY 2023 and therefore added the school's registrar as the third check signer on the bank account. The recordkeeping staff/secretary II was not aware that the third check signer should be an administrator.
- C. The school did not receive guidance from the Cash Management Office for properly completing the *Checking Account Signature Change Form*.

The following are the potential effects from the non-compliance of administration of checks:

- A. Inappropriate administration of voided checks exposes the school to check fraud through potential unauthorized negotiations.
- B. Internal controls are compromised when authorized check signers are not appropriately included on the school's checking account.

Recommendations: The following recommendations are suggested to help ensure checks are properly managed:

- A. The recordkeeping staff should ensure that all voided checks are properly voided by the removal of the signature and account lines. The principal should perform a periodic review of voided checks to ensure compliance with BOE policies and procedures relative to defacement.
- B. The principal should ensure that only the specified check signers indicated in the APM are included as authorized check signers on the school's checking account.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Imagine Foundations at Morningside Public Charter School was issued for the period ended June 30, 2022. The principal and recordkeeping staff were in their current positions during that audit. There was 1 finding noted as a result of that audit which was not noted in the current audit:

- **Fundraiser Forms not Completed** – Controls appear to be working.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Imagine Foundations at Morningside Public Charter School for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department
School/Office: Imagine Foundations @ Morningside PCS
Response Due Date December 4, 2023**

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2024.01:</u> Administration of Checks	<p>A. The recordkeeping staff should ensure that all voided checks are properly voided by the removal of the signature and account lines. The principal should perform a periodic review of voided checks to ensure compliance with BOE policies and procedures relative to defacement.</p> <p>B. The principal should ensure that only the specified check signers indicated in the APM are included as authorized check signers on the school's checking account.</p>		<p>A. The principal will perform a quarterly review of voided checks to ensure compliance with BOE policies and procedures relative to defacement.</p> <p>B. The principal will ensure that only the specified check signers indicated in the APM are included as authorized check signers on the school's checking account. All current authorized check signers are permitted as outlined in the APM.</p>	<p>11/15/2023 2/15/2024 5/15/2024</p> <p>8/1/2023</p>	<p>Implemented - on going</p> <p>Implemented</p>

Principal Signature Sara Cy

Date 12-6-2023