

Internal Audit Report

CMIT South Elementary Public
Charter School
School Activity Funds

For the Period Ended September 30, 2024

**CMIT South Elementary Public Charter School
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For Period Ended September 30, 2024**

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of CMIT South Elementary Public Charter School for the period October 1, 2023 to September 30, 2024. CMIT South Elementary Public Charter School's principal is responsible for 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:

- *Mismanagement of Disbursements*
- *Administration of Monetary Transmittal Forms*

The findings resulted in a material deviation from Board of Education (BOE) policies and procedures and the requirements of the Accounting Procedures Manual for the School Activity Funds (APM).

In our opinion, there is non-compliance with BOE policies and procedures and the APM, for CMIT South Elementary Public Charter School SAF, for the period ended September 30, 2024.



Janice Walters-Semple, CPA
Acting Director, Internal Audit

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SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for CMIT South Elementary Public Charter School for the period October 1, 2023 through September 30, 2024. The audit was conducted as part of the department's annual audit plan.

The 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. In addition, detailed findings are cited on the following pages with accompanying recommendations for corrective action. The audit results determined that there was noncompliance with the requirements of the Accounting Procedures Manual for School Activity Funds (APM) during the period of audit.

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 available bank statements, financial reports, canceled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted for the period October 1, 2023 through September 30, 2024. 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.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2025.01 Mismanagement of Disbursements

There were **12** instances of noncompliance noted regarding the disbursement of funds:

- There were **3** instances where disbursements were made without proper pre-approval.
- There were **6** instances where records supporting the disbursement of funds could not be located for review. Canceled check images were not available in 4 instances. Canceled check images and store receipt/invoice to substantiate disbursement amounts were not available in the remaining 2 instances.
- There was **1** instance where a vendor payment of \$4,975.00 was issued **144** days late.
- There were **2** instances during the audit period where check numbers were voided in the accounting system and subsequently reused. Checks 1091 and 1092 were originally written for field trip transportation on 11/2/2023 and voided on 12/30/2023. Checks 1091 and 1092 were reissued on 2/8/2024 and 2/16/2024 respectively for different events.

According to the APM the following guidance is provided regarding administering disbursement of SAF:

- Section 4.5.3.1, *Pre-Approval by the Principal* requires a School Funds Expenditure Form to be completed and signed by the principal prior to a purchase being made on behalf of the school.
- Section 6.12, *Record Retention*, requires that all SAF records are retained for a period of 7 years and until audited. This includes but is not limited to financial reports, bank statements, receipts, disbursement authorities, Monetary Transmittal Forms, School Funds Expenditure Forms, canceled check images, and contracts.
- Section 4.5.3.1 (2), *Cash Disbursement Procedures, Inclusion of Supporting Documentation* requires invoices to be paid within 30 days of receipt, or by the invoice due date.
- Section 3.2.2, *Bookkeepers/Financial Secretaries*, the recordkeeping staff is required to accurately record and report the school's financial transactions.

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The school's previous recordkeeping staff left the position on 8/18/2023, and the current recordkeeping staff joined the school on 11/20/2023. The school's previous principal was reportedly not familiar with the disbursement process, which was usually conducted by recordkeeping staff, resulting in inappropriate completion and approval of SFEFs required for processing disbursements.

The school's bank statements do not include canceled check images, and the school's current principal does not have access to electronic bank statements to ensure that canceled checks are maintained in the school's financial records.

The delinquency in processing the vendor payment was due to an oversight on the part of the prior principal.

Checks 1091 and 1092 were voided immediately after the recordkeeping staff tenure began at the school. The school's current recordkeeping staff was not aware that a voided check could not be reused.

Internal controls are compromised when disbursements are not processed in accordance with the requirements of the APM. As a result, funds may not be available in the respective fund accounts to pay for the cost of the expenditure, and unapproved vendors may be used, which increases the Board's financial risk. Evidence to substantiate disbursements is not available when disbursement records are not provided for review. Unauthorized purchases can also lead to insolvency of the SAF. Delinquent vendor payments may negatively impact the Board's relationship with vendors and may result in the assessment of late fees. Inappropriate administration of voided checks results in noncompliance with policies and procedures and exposes the school to check fraud.

1. **Recommendations:** The following steps should be taken to ensure proper administration of disbursements:
2. Staff members should be reminded that all anticipated purchases must be approved by the principal prior to obligating the school's funds. Staff members must be held accountable for compliance.
3. The principal should contact the Office of Treasury Operations to request access to electronic bank statements and the inclusion of canceled check images with the school's monthly bank statements. The principal must ensure that the financial records are made available for review when required.
4. The principal must exercise due care to ensure that financial transactions, specifically vendor payments, are issued timely.
5. The recordkeeping staff must continue to follow the requirement for processing checks to avoid using check numbers more than once.

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6. The current recordkeeping staff should be reminded of their responsibility to ensure all SAF transactions, including voided checks, are accurately recorded in the accounting system.

2025.02 Administration of Monetary Transmittal Forms

There were **3** instances where inadequately completed Monetary Transmittal Forms (MTFs) were submitted to support the collection of funds. Section II of the MTFs were not completed in 2 instances. Section II was not accurately footed in the 3rd instance.

The APM Section 4.5.2.2.1, *Collecting Funds: Completing the Monetary Transmittal Form (MTF)* requires all MTFs to be entirely completed with the following information: who collected the funds, when funds were collected, from whom funds were collected, the amount and form of funds collected, and the reason for the collection.

The school's current recordkeeping staff joined the school on 11/20/2023 and was not familiar with the responsibilities pertaining to the review of MTFs for accuracy and completeness.

Mismanagement of funds received constitutes non-compliance with BOE policies and procedures, increases financial risk to the school, and compromises the audit trail for ensuring proper administration of collections. *This condition was also noted in the previous audit as of September 31, 2023.*

Recommendations: Recordkeeping staff should perform a thorough review of funds received along with related supporting documentation, specifically MTFs to ensure completeness and accuracy prior to accepting and approving MTF. Recordkeeping staff should return incomplete and inaccurate MTFs to staff members for correction before accepting them for deposit.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for CMIT South Elementary Public Charter School was issued for the period ended September 31, 2023. Neither the principal nor the recordkeeping staff was in their current position during that period. There were **2** findings noted in the previous audit, of which **1** still exists as noted below:

- **Delinquent Monthly Bank Reconciliation** – Condition was not noted during this audit.
- **Administration of Monetary Transmittal Forms** – Condition still exists. See Finding **2025.02** regarding *Administration of Monetary Transmittal Forms*.

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ACKNOWLEDGEMENT

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

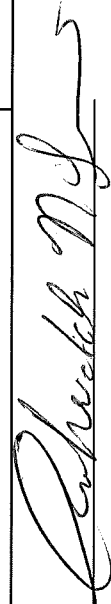
**Prince George's County Public Schools
Internal Audit Department**

School/Office: CMIT South ES

Response Due Date April 18, 2025

	Findings	Recommendations	Concur Non-Conc ur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
2025.01	Mismanagement of Disbursements	<ol style="list-style-type: none"> The following steps should be taken to ensure proper administration of disbursements: Staff members should be reminded that all anticipated purchases must be approved by the principal prior to obligating the school's funds. Staff members must be held accountable for compliance. The principal should contact the Office of Treasury Operations to request access to electronic bank statements and the inclusion of canceled check images with the school's monthly bank statements. The principal must ensure that the financial records are made available for review when required. The principal must exercise due care to ensure that financial transactions, 	Concur		May 7, 2025 During Staff Mtg	Implemented
			Concur		April 16, 2025	Implemented
			Partially Concur	This has been done the entire 24/25 SY. Late payment was due to not being	24/25 SY	Implemented

Department Head Signature



Date

April 17, 2025

		specifically vendor payments, are issued timely.		informed of the payment by previous Principal	24/25 SY	Implemented
		<p>5. The recordkeeping staff must continue to follow the requirement for processing checks to avoid using check numbers more than once.</p> <p>6. The current recordkeeping staff should be reminded of their responsibility to ensure all SAF transactions, including voided checks, are accurately recorded in the accounting system.</p>	Partially Concur	The recordkeeper used voided checks because they were not informed that they had been voided and were left intact by the previous Principal, and not recorded in the accounting system. The requirements for processing checks have continued to be adhered to this SY.	24/25 SY	Implemented
2025.02	Administration of Monetary Transmittal Forms	Recordkeeping staff should perform a thorough review of funds received along with related supporting documentation, specifically MTFs, to ensure completeness and accuracy prior to accepting and approving MTF. Recordkeeping staff should return incomplete and inaccurate MTFs to staff members for correction before accepting them for deposit.	Concur		24/25 SY	Implemented

*CMIT South Elementary's previous recordkeeper left the position on 8/18/2023, and Ms. Reese, our current recordkeeper, joined the school on 11/20/2023. After joining, Ms. Reese still had to wait for training to begin in Recordkeeping. The school's previous principal was reportedly not familiar with the disbursement process, which was usually conducted by the previous recordkeeper, resulting in inappropriate completion and approval of SFEs required for processing disbursements by him.

The school's bank statements did not include canceled check images, and the school's current Principal did not have access to electronic bank statements to ensure that canceled checks were maintained in the school's financial records. Ms. Reese has since requested that Ms. Lewis have access to electronic bank statements and that the school's bank statements include canceled check images.

The delinquency in processing the vendor payment was due to an oversight on the part of the prior principal. Once brought to the attention of Ms. Reese, it was paid.

Checks 1091 and 1092 were not properly voided, as there was no Timekeeper during that time. The school's current recordkeeping staff was not aware that a voided check had been voided, as they were still intact for use.

Department Head Signature

Date April 11, 2025