

Internal Audit Report

Imagine Foundations at Leeland Public Charter School Activity Funds

For the Period Ended March 31, 2024

Imagine Foundations at Leeland Public Charter
School Activity Funds
Internal Audit Report
For the period ended March 31, 2024

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of the Imagine Foundations at Leeland Public Charter School for the period August 1, 2022 through March 31, 2024. The 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:

- *Untimely Deposit of Funds Received, and*
- *Records Retention*

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 Imagine Foundations at Leeland Public Charter School's SAF, for the period ended March 31, 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 **the Imagine Foundations at Leeland Public Charter School** for the period August 1, 2022 through March 31, 2024. 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 **2** 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 August 1, 2022 through March 31, 2024. 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:

2025.01 Untimely Deposit of Funds Received

There were **2** instances where funds were not deposited in a timely manner, resulting in deposits being made **6** and **14** days late.

According to APM Section 4.5.2.2 *Cash Receipts Procedures*, the recordkeeping staff must make deposits of all funds received at least every other day.

MTF #473401 was completed by school staff on 1/19/2023, received by the school's previous recordkeeping staff on 1/26/2023, and deposited on 1/26/2023. Because this deposit was performed by the previous recordkeeping staff, a further cause for the delinquency could not be determined.

MTF #473475 was submitted to recordkeeping staff for deposit on 2/26/2024 and was deposited at the bank on 3/12/2024. BOE policies regarding the timeliness of deposit of funds received were not followed, and a further cause for the delinquency could not be determined.

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 recordkeeping staff and staff members should be reminded of their responsibilities relative to the timely remittance and deposit of funds. Staff members must be required to remit funds to the recordkeeping staff on the day of collection. Recordkeeping staff should establish a specific schedule each day to open the depository safe to verify that funds are not neglected or overlooked. The principal must hold the recordkeeping staff and staff members accountable for compliance.

2025.02 Record Retention

Supporting documentation to substantiate financial transactions was not available for review in the following **6** instances:

- **2** Cash Disbursements (School Funds Expenditure Forms)
- **4** Defaced Voided Checks

According to the APM Section 6.12, *Record Retention*, All SAF records must be retained for a period of **7** years and or until audited, including the current fiscal year. This includes but is not

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limited to, financial reports, bank statements, receipts, disbursement authorities, Monetary Transmittal Forms, School Funds Expenditure Forms, canceled checks, and contracts.

Reportedly, the recordkeeping staff was not aware of the requirement for completion of SFEEFs when processing disbursements. The absence of an effective records management system resulted in BOE policies regarding the retention of SAF records not being followed. A further cause for the inadequate retention of SAF records could not be determined.

Failure to make financial records available for audit constitutes noncompliance with BOE policies and procedures and compromises the audit trail necessary for determining compliance with applicable requirements.

Recommendations: The principal and recordkeeping staff must ensure that an adequate filing system is established to secure the school's financial documents in an organized manner. The recordkeeping system should allow for files to be easily retrievable during the audit. Recordkeeping staff must be held accountable for compliance.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for the Imagine Foundations at Leeland Public Charter School was issued for the period ended July 31, 2022. The current principal was on staff during that audit; the current recordkeeping staff was not on staff during that audit. There were **4** findings noted as a result of that audit, summarized below:

- **Mismanagement of Disbursements** – Condition was not noted during this audit.
- **Inadequate Documentation of Funds Received** – Condition still exists. See **Finding 2024.02** regarding *Records Retention*.
- **Non-Compliance with Authorized Signer's Requirement** – Condition was not noted during this audit.
- **Excessive Spending in Restricted Fund Accounts** – Condition was not noted during this audit.

ACKNOWLEDGEMENT

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

Prince George's County Public Schools
Internal Audit Department
School/Office: Imagine Foundation at Leeland School – School Activity Funds
Response Due Date: September 9, 2024

	Findings	Recommendations	Action Plan	Corrective Action Date	Implemented	<u>Status</u> Partially Implemented	Not Implemented
2025.01 Untimely Deposit of Funds Received	<p>There were 2 instances where funds were not deposited in a timely manner, resulting in deposits being made 6 and 14 days late.</p> <p>MTF #473401 was completed by school staff on 1/19/2023, received by the school's previous recordkeeping staff on 1/26/2023, and deposited on 1/26/2023. Because this deposit was performed by the previous recordkeeping staff, a further cause for the delinquency could not be determined.</p> <p>MTF #473475 was submitted to recordkeeping staff for deposit on 2/26/2024 and was deposited at the bank on 3/12/2024. BOE policies regarding the timeliness of deposit of funds received were not followed, and a further cause for the delinquency could not be determined.</p>	<p>The recordkeeping staff and staff members should be reminded of their responsibilities relative to the timely remittance and deposit of funds. Staff members must be required to remit funds to the recordkeeping staff on the day of collection. Recordkeeping staff should establish a specific schedule each day to open the depository safe to verify that funds are not neglected or overlooked. The principal must hold the recordkeeping staff and staff members accountable for compliance.</p>	<p>The principal will remind the recordkeeping staff and staff members of their responsibilities relative to the timely remittance and deposit of funds. Staff members must remit funds to the recordkeeping staff on the collection day.</p> <p>Recordkeeping staff should establish a specific schedule for opening the depository safe each day to verify that funds are not neglected or overlooked. The principal must hold the recordkeeping staff and staff members accountable for compliance.</p>	<p>April 2024</p>	<p>Implemented</p>		
	Supporting documentation to substantiate financial transactions	The principal and recordkeeping staff must ensure that an adequate	The principal and recordkeeping staff must	<p>April</p>	<p>Implemented</p>		

CFO/Principal/Director's Signature Sherilyn Reid Williams

Date August 8, 2024

2025.02 Record Retention	<p>was not available for review in the following 6 instances:</p> <ul style="list-style-type: none"> • 2 Cash Disbursements (School Funds Expenditure Forms) • 4 Defaced Voided Checks <p>Reportedly, the recordkeeping staff was not aware of the requirement for completion of SFEFs when processing disbursements. The absence of an effective records management system resulted in BOE policies regarding the retention of SAF records not being followed. A further cause for the inadequate retention of SAF records could not be determined.</p> <p>Failure to make financial records available for audit constitutes noncompliance with BOE policies and procedures and compromises the audit trail necessary for determining compliance with applicable requirements.</p>	<p>filing system is established to secure the school’s financial documents in an organized manner. The recordkeeping system should allow for files to be easily retrievable during the audit. Recordkeeping staff must be held accountable for compliance.</p>	<p>ensure that an adequate filing system is established to secure the school’s financial documents in an organized manner. The recordkeeping system should allow for files to be easily retrievable during the audit. Recordkeeping staff must be held accountable for compliance.</p>	<p>2024</p>			
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CFO/Principal/Director’s Signature Sherilyn Reid Williams
Date August 8, 2024