



December 5, 2017

MEMORANDUM

To: Jeffrey Holmes, Instructional Director
Cluster 6

Chien Hwa Nee, Principal
EXCEL Academy Public Charter School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for October 1, 2016 through October 31, 2017

An audit of the financial records of EXCEL Academy Public Charter School was conducted for the period October 1, 2016 through October 31, 2017. 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 policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As principal of the school, you will be responsible for preparing an action plan within **30** days, indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your action plan using the attached Microsoft word template and any other correspondence to the Internal Audit Office, Attention: Jerry Chandler, Business Analyst, email address: jerry.chandler@pgcps.org. A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email, address: deborah.smalls@pgcps.org.

This report is intended solely for information and use of the Board Chair and Chief Executive Officer and other parties specifically stated in this transmittal letter. This report is not intended to be and should not be used by anyone other than the specified parties.

Enclosure

cc: Segun Eubanks, Ed. D., Board Chair
Kevin Maxwell, Ph.D., Chief Executive Officer of Schools
Monique Whittington-Davis, Ed. D., Deputy Superintendent
Carolyn Boston, Vice Chair, Board of Education
Denise Green, Ed. D., Associate Superintendent, Area I
Erica Berry Wilson, Esq., Board Executive Director
Patricia Eubanks, District 4, Board Member
J. Michael Dougherty, Director, Financial Services
Loretta White-Khaalid, Executive Assistant Charters and Contract Schools
Kelvin Campbell, Internal Auditor II

Internal Audit Report

**EXCEL Academy Public Charter School
Student Activity Funds**

For the Period Ended October 31, 2017

**EXCEL Academy Public Charter School
Student Activity Funds
Internal Audit Report
For the Period Ended October 31, 2017**

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**EXCEL Academy Public Charter School
Student Activity Funds
Internal Audit Report
For the Period Ended October 31, 2017**

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of EXCEL Academy Public Charter School for the period October 1, 2016 through October 31, 2017. EXCEL Academy 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 Governmental Accountability Office 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, and*
- *Inappropriate Use of the Reimbursement Vendor Option*

Individually or in the 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, except for the deviations from the criteria described in the preceding paragraph, the SAF referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended October 31, 2017.



Michele Winston, CPA, Director
Internal Audit

**EXCEL Academy Public Charter School
Student Activity Funds
Internal Audit Report
For the Period Ended October 31, 2017**

SUMMARY

The Internal Audit Department completed an audit of the student activity funds (SAF) for EXCEL Academy Public Charter School for the period October 1, 2016 through October 31, 2017. The audit was conducted as part of the department's annual audit plan.

The audit results indicate 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.

Detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

This report is intended solely for information and use of the Board Chair, Chief Executive Officer and other parties specifically stated in the accompanying transmittal letter. This report is not intended and should not be used by anyone other than the specified parties.

OBJECTIVES

The objectives of the audit were to determine the effectiveness of the system of internal controls and whether the school is in compliance with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit 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 bank statements, financial reports, selected cancelled checks, and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff, for the period October 1, 2016 through October 31, 2017. Also selected receipts, disbursements and supporting documentation were reviewed for the said period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations

2018.01: Mismanagement of Disbursements

The audit revealed **5** instances where disbursements were not issued in accordance with BOE policies and procedures. The following exceptions pertaining to management of disbursements were noted:

- A. ***Delinquent Payment of Invoices*** – There were **3** instances where payments for expenditures were not made in a timely manner.
- B. ***Contracts*** – There were **2** instances where service contracts against which purchases were not signed by the principal's signature. The section of the contract for the principal's signature was left blank.

The SAF Accounting Procedures Manual, Section 4.5.3, *Cash Disbursements* and Section 6.5 *Contracts*, includes the following provisions:

- A. Invoices should be paid within 30 days of receipt. Principals should review invoices and statements for past due amounts and ensure that payments are made in a timely manner.
- B. The principal, as the fiduciary agent of the school, must approve and sign all agreements and contracts entered into for all school activities. Questions of liability are referred to the Risk Management Office.

The bookkeeper indicated the delinquent payments were due to a delay in receiving the contracts from Purchasing and Supply Services after their review. The bookkeeper indicated that during FY 2017, the former principal retired and the acting principal was not properly trained on BOE policies and procedures relative to administration of contracts.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and the staff. Delinquent payments of invoices could force the vendor to place the BOE's account with a collection agency where significant collection fees could be assessed. When a contract is not signed, it is not considered to be legally binding. There is the potential for dispute without the school having leverage.

Recommendation: The principal and bookkeeper must perform the following to improve the administration of disbursements:

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- A. The principal must review the open invoice folder to ensure that the bookkeeper is processing vendor payments timely.
- B. The principal must review all contractual agreements entered into for the school activities to determine agreement with terms and appropriate authorization. Questions of liability should be referred to the Risk Management Office.

2018.02 Inappropriate Use of the Reimbursement Vendor Option

There were 8 instances where the “*Reimbursement Vendor*” option was used for cash disbursements made to non-BOE employees and entered into School Funds Online (SFO). The instances of inappropriate use of the “*Reimbursement Vendor*” option occurred for transactions totaling **\$848.38**.

The “*Reimbursement Vendor*” option was created to post reimbursable expenses to the staff when SFO was implemented.

BOE policies and procedures as established in SFO regarding the use of the “*Reimbursement Vendor*” option were not followed. The BK indicated that she had not been trained on how to use these accounts. As a result, the school’s financial records may not have been properly stated.

Failure to follow BOE policies and procedures places the school system in a position of non-compliance with the federal tax reporting laws

Recommendation: The principal must establish procedures to ensure that all future cash disbursement transactions are accurately recorded in SFO. The bookkeeper must request appropriate training on the use of the “*Reimbursement Vendor*” option to ensure payments are properly processed in the accounting system. Additionally, correcting entries must be made for the improper postings to ensure accurate accounting of all transactions.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for EXCEL Academy Public Charter School was issued for the period ending September 30, 2016. During that period, the current bookkeeper held that position. The principal’s tenure began July 1, 2017. ***Finding 2017.01 Bank Account*** was the only finding noted in the previous audit. Currently controls appear to be working.

ACKNOWLEDGEMENT

We would like to thank the staff of EXCEL Academy Public Charter School for their cooperation and assistance extended during the audit.