



December 13, 2022

MEMORANDUM

To: Elizabeth Saunders, Ed. D., Instructional Director
Cluster 12

Sherilyn Reid -Williams, Principal
Imagine Foundations at Leeland Public Charter School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for October 1, 2021, through July 31, 2022

An audit was completed on the financial records of **Imagine Foundations at Leeland Public Charter School** for the period October 1, 2021, through July 31, 2022. The audit indicates 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. 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 by **January 13, 2022**, 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, email address internal.audit@pgcps.org. **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, and email address: dany.washington@pgcps.org and Katrina Greene, Student Activity Fund Support Specialist, email address: katrina.greene@pgcps.org.

Enclosure

cc Juanita Miller, Ed. D, Board Chair
Monica Goldson, Ed. D, Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D, Chief of School Support and Leadership
Monica Gaines, Ed. D, Charter School Liaison
Michael Herbstman, Chief Financial Officer
James Dougherty, CPA, Director, Financial Services
Joeday Newsom, Esq., Staff Director, Board of Education
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Kelvin Campbell, Internal Auditor II

Internal Audit Report

**Imagine Foundations at Leeland
Public Charter School
School Activity Funds**

For the Period Ending July 31, 2022

Imagine Foundations at Leeland Public Charter School
School Activity Funds
Internal Audit Report
For the Period Ended July 31, 2022

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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 October 1, 2021, through July 31, 2022. 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 by 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,*
- *Inadequate Documentation of Funds Received,*
- *Non-Compliance with Authorized Signer's Requirement, and*
- *Excessive Spending in Restricted Fund Accounts*

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

In our opinion, the SAF referred to above, requires improvement to achieve compliance with BOE policies and procedures and the APM, in all material respects, for the period ended July 31, 2022.



Michele Winston, CPA, Director
Internal Audit

Imagine Foundations at Leeland Public Charter School
School Activity Funds
Internal Audit Report
For the Period Ended July 31, 2022

SUMMARY

Internal Audit completed an audit of the school activity funds (SAF) for the Imagine Foundations at Leeland Public Charter School for the period October 1, 2021, through July 31, 2022. The audit was conducted as part of the department's annual audit plan.

The audit indicated the school's financial records and procedures require improvement to by the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

This audit report includes 3 findings that occurred under the leadership of the current principal and 1 that occurred under the leadership of the former 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 whether the school complies with the policies and procedures of the APM and the BOE. It is important to recognize 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 and available canceled checks and all voided checks and MTF envelopes submitted by staff for the period October 1, 2021, through July 31, 2022. In addition, 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:

2023.01: Mismanagement of Disbursements

Certain cash disbursements reviewed were not processed per BOE policies and procedures. Some transactions had multiple noncompliance issues or internal control weaknesses. The following exceptions in the management of disbursements were noted:

- A. ***Inadequate Approval and Completion of School Funds Expenditure Forms (SFEF)***— There were **3** instances where expenditures were not adequately approved. The principal did not pre-approve the SFEF before purchases were made in **1** instance. SFEFs were not completed in **2** instances.
- B. ***Inadequate Supporting Documentation*** - There were **2** instances where expenditures did not contain adequate supporting documentation. Supporting documentation was not included to substantiate the expenditure in one instance. A quote was used as support for the expenditure in lieu of a vendor invoice in the other instance.
- C. ***Administration of Contracts*** - There were **2** instances where contracts were not appropriately signed by the principal. A teacher signed the contract in 1 instance. The contract was not signed in the other instance.

The APM provides the following guidelines regarding the administration of cash disbursements:

- A. Before ordering or purchasing goods or services, an SFEF must be completed and signed (approved) by the principal.
- B. All checks must have itemized documentation attached to the SFEFs that support the amount of the check.
- C. The principal, as the fiduciary agent of the school is required to sign all contracts entered into for all school activities.

The principal did not establish adequate internal controls relative to the management of disbursements. SFEFs were accepted by the recordkeeping staff that were incomplete and/or lacked adequate supporting documentation. The requirement for staff to obtain approval prior to ordering or purchasing goods or services was not enforced by the principal. The principal did not fulfill the fiduciary responsibility to sign all contracts entered into on behalf of the school. It appears that neither the principal nor the recordkeeping staff read the APM.

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Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases the financial risk to the school and staff. This increases the school's vulnerability to potential misuse or misappropriation of the school's SAF.

Recommendations: The principal and recordkeeping staff must perform the following to improve the administration of disbursements:

- A. The principal must enforce the preapproval requirement for expenditures to ensure that all properly completed and authorized SFEEFs are prepared prior to expenditures being made.
- B. The recordkeeping staff must review the SFEEFs to ensure completeness and adequate supporting documentation are attached to substantiate expenditure before to acceptance.
- C. The principal must review the APM to ensure that the responsibility relative to approving all contractual agreements is properly performed when contracts are entered into for all school activities. Communication to staff members prohibiting them from signing contracts must be clear.

2023:02 Inadequate Documentation of Funds Received

There were **4** instances where collections were not properly supported. MTF documentation was either incomplete or not provided to support the funds received.

The APM requires that MTFs are supported with student remittance forms, fundraiser forms, or other documentation that shows the source and purpose of funds. All funds collected should be remitted to the recordkeeping staff and properly supported with approved MTFs.

Internal controls to ensure collections were processed as required were not always enforced. The recordkeeping staff did not review the MTF and perform verification of supporting documentation before accepting and approving MTFs and making deposits.

Failure to adequately perform recordkeeping responsibilities over the processing of funds received constitutes noncompliance with the requirements of the APM. Audit evidence for ensuring all funds collected was subsequently remitted and deposited was not available.

Recommendation: The recordkeeping staff must ensure that MTFs and remittance documentation is provided prior to accepting funds and making deposits.

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2023.03 Non-Compliance with Authorized Signers Requirement

The school's Business Account Signature Card has not been updated as required. The authorized signatories on the school's bank account included the principal, the recordkeeping staff, and 2 former staff members.

According to the APM in Section 4.2 Bank Accounts, 4.2.2 *Procedures*, there must be at least 3 authorized signers on the checking account (the Principal, bookkeeper, and another administrator). The principal and bookkeeper should be the primary signers on the account. The third signer should be an administrator.

Established internal controls relative to authorized signatories were not followed. The signature card at the financial institution was not promptly updated when key personnel changes occurred. Although the current principal and recordkeeping staff are familiar with the policy, it was not followed.

Failure to follow instructions for authorized signatories places the school in a position of non-compliance with BOE policies and procedures and increases the school's financial risk for fraud, waste, and abuse.

Recommendation: The principal must take immediate action to remove the 2 former staff members as authorized signers of the school's bank account and add a third signer as required. Treasury Services should be contacted for assistance.

2023.04: Excessive Spending in Restricted Fund Accounts

There were 2 restricted fund accounts with deficits totaling **(\$3,286.51)** as of July 31, 2022. The following is a listing of accounts with deficits:

Account	Description	Amount
318.00	8 th Grade Dues	(\$2,106.36)
480.00	Yearbook	(\$1,180.15)
	Total Deficits	(\$3,286.51)

The APM requires expenditures for all restricted accounts to be limited to the amount of funds collected for those restricted activities. However, if restricted expenditures exceed the available account balance, the account is insolvent. As the fiduciary agent for SAF, the principal is responsible for ensuring that all fund accounts are solvent at all times.

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These deficits originated in FY 2015 (480.00-Yearbook) and FY 2016 (318.00-8th Grade dues). Both dates pre-date the current principal and recordkeeping staff. As such, an explanation for the deficits was not obtained. When BOE policies and procedures as established in the APM regarding the use of restricted funds are not followed restricted fund accounts balances are deficient and students are not receiving the maximum possible benefit of the resources that should have been available to them.

Recommendation: The principal and recordkeeping staff must work toward resolving the deficits. Spending in these accounts must be avoided until the account deficits are resolved. In addition, the principal should contact the Accounting and Financial Reporting Office to determine a resolution for the elimination of the deficits in these fund accounts.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Imagine Foundations at Leeland Public Charter School was issued for the period ending September 30, 2021. During the audit, the principal and recordkeeping staff were in their current positions. The previous audit report had 4 reportable conditions, of which 3 are repeated in the current audit. The following findings were noted because of the prior audit, and the status is indicated below:

- **Mismanagement of Funds Received** - Condition still exists. See Finding 2023.02, regarding *Inadequate Documentation of Funds Received*.
- **Excessive Spending in Restricted Fund Accounts** - Condition still exists. See Finding 2023.04, regarding *Excessive Spending in Restricted Fund Accounts*.
- **Inadequate Supporting Documentation of Disbursements** - Condition still exists. See Finding 2023.01, regarding *Mismanagement of Disbursements*.
- **Delinquent Monthly Bank Reconciliations** - Controls appear to be working

ACKNOWLEDGEMENT

We would like to thank the principal and staff of 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 Leeland PCS
Response Date January 13, 2023**

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01: Mismanagement of Disbursements</u>	<p>The principal and recordkeeping staff must perform the following to improve the administration of disbursements:</p> <p style="margin-left: 40px;">A. The principal must enforce the preapproval requirement for expenditures to ensure that all properly completed and authorized SFEFs are prepared prior to expenditures being made.</p> <p style="margin-left: 40px;">B. The recordkeeping staff must review the SFEFs to ensure completeness and adequate supporting documentation are attached to substantiate expenditure before acceptance.</p>	Concur	The principal will establish internal controls relative to the management of disbursements.	9/22	Implemented

Principal Signature *Sherittyn Reid Williams*

Date 1/13/2023

		<p>C. The principal must review the APM to ensure that the responsibility relative to approving all contractual agreements is properly performed when contracts are entered into for all school activities. Communication to staff members prohibiting them from signing contracts must be clear.</p>				
2.	<p><u>2023:02</u> <u>Inadequate</u> <u>Documentation of</u> <u>Funds Received</u></p>	<p>The recordkeeping staff must ensure that MTFs and remittance documentation is provided prior to accepting funds and making deposits.</p>	Concur	<p>The recordkeeping staff must ensure that all collection documentation is adequate by verifying that all appropriate support is attached to the MTF.</p> <p>The record keeping staff must ensure that all MTF changes and alterations have the required signatures.</p>	9/2022	Implemented
3.	<p><u>2023.03</u> <u>Non-Compliance</u> <u>with Authorized</u> <u>Signers</u> <u>Requirement</u></p>	<p>The principal must take immediate action to remove the 2 former staff members as authorized signers of the school's bank account and add a third</p>	Concur	<p>The principal will take immediate action to remove the previously assigned staff members and add a third signer. The necessary steps will be taken to establish internal</p>	09/2022	Implemented

Principal Signature *Sherittyn Reid Williams*

Date 1/13/2023

		signer as required. Treasury Services should be contacted for assistance.		controls to ensure that the bank signatures are kept current.		
4.	<u>2023.04: Excessive Spending in Restricted Fund Accounts</u>	The principal and recordkeeping staff must work toward resolving the deficits. Spending in these accounts must be avoided until the account deficits are resolved. In addition, the principal should contact the Accounting and Financial Reporting Office to determine a resolution for the elimination of the deficits in these fund accounts.	Concur	Principal will review the policies and procedures as outlined within the SAM. Improvements will be made in the areas of: <ul style="list-style-type: none"> ● defining authority and responsibility; ● maintenance of adequate documents and records; ● limited access to assets and ● independent checks on performance. 	9/22	Implemented

Principal Signature *Sherittyn Reid Williams*

Date 1/13/2023