



December 9, 2022

MEMORANDUM

To: Elizabeth Saunders, Instructional Director
Cluster 12

Lance Pace, Principal
Imagine Lincoln Public Charter School

From: Michele Winston, CPA, Director
Internal Audit

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

An audit of the financial records of **Imagine Lincoln Public Charter School** was conducted for the period October 1, 2021 through July 31, 2022. The exceptions noted in the audit are documented in the attached audit report.

As the principal of the school, you will be responsible for preparing an action plan by **January 9, 2023** 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. A copy of the action plan should be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; and Katrina Greene, School Activity Fund Support Specialist, email address: katrina.greene@pgcps.org.

Enc.

cc:

Juanita Miller, Ed. D., Chair, Board of Education
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief, School Support and Leadership
Michael Herbstman, Chief Financial Officer
James Dougherty, CPA, Director, Financial Services
Joeday Newsom, Esq. Staff Director, Board of Education Office
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Green, School Activity Fund Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Benjamin Hanks, Internal Auditor II

Internal Audit Report

Imagine Lincoln Public Charter School
School Activity Funds

For the Period Ended July 31, 2022

**Imagine Lincoln Public Charter School
School Activity Funds
Internal Audit Report
For Period Ended July 31, 2022**

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**Imagine Lincoln Public Charter School
School Activity Funds
Internal Audit Report
For Period Ended July 31, 2022**

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Imagine Lincoln Public Charter School for the period of October 1, 2021 to July 31, 2022. Imagine Lincoln'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 two findings:

- *Restricted Account Deficits; and,*
- *Inaccurate Postings in School Funds Online*

The finding resulted in a 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, considering the deviation from the criteria described in the preceding paragraph, the SAF referred to above has mostly been administered in 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 Lincoln Public Charter School
School Activity Funds
Internal Audit Report
For Period Ended July 31, 2022**

SUMMARY

An audit of the school activity funds (SAF) for Imagine Lincoln Public Charter School was completed for the period October 1, 2021 through July 31, 2022. The audit was conducted as part of the 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 previous principal. 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 was in compliance with 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 examination of selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period October 1, 2021 to July 31, 2022. 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.

**Imagine Lincoln Public Charter School
School Activity Funds
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For Period Ended July 31, 2022**

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01 Restricted Account Deficits

There were **3** instances where restricted accounts were identified with account deficits as of the end of the audit period, causing a total restricted account deficit of **(\$2,230.93)**. **This finding was noted in the previously completed audit report dated September 30, 2021.**

Account Number	Account Name	Deficit Amount
311.20	Basketball Team	(\$933.93)
313.00	Student Clubs	(\$1,285.00)
322.00	SGA	(\$12.00)
Total		(\$2,230.93)

According to APM, expenditures for all restricted accounts are limited to the amount of funds collected for those activities. Therefore, if restricted account expenditures exceed the available cash, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure that restricted accounts are solvent at all times.

The restricted account deficits listed above were identified in the school's previously completed SAF Audit for the period ending September, 2021, and have not changed since the previous audit was completed. These deficits occurred prior to the tenure of the school's current principal and recordkeeping staff, therefore, a more detailed cause for the account deficits could not be determined.

Overspending from restricted accounts constitutes noncompliance with the policy documented in the APM. In doing so, funds that should have provided benefits to students were reduced. Students did not receive the maximum possible benefit from the resources that should have been available to them.

Recommendation: The principal and recordkeeping staff should contact the Accounting and Financial Reporting Office to explain the account deficits and seek guidance on the elimination of the deficits. All expenditures from these accounts must cease until the deficits are resolved.

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2023.02 Inaccurate Postings in School Funds Online (SFO)

There were 2 instances where faculty vending commissions were posted directly to account 450.50 *PSA-Transfers In*, rather than being posted to account 750.10 *Vending Faculty Commissions* and subsequently transferred into account 450.50 *PSA-Transfers In*.

APM Section 4.3, *Fund Accounts*, states that fund accounts are used to track financial activities related to specific events, activities, and/or groups within the school. The use of fund accounts makes it possible to determine the amount of revenue and expenditure generated by individual groups and/or events within the school, and ultimately, how much money is available. As a general rule, a fund account should be established for each unique organization, activity, or event that occurs in a school. Best financial practices therefore require that commissions received from faculty vending machine sales be deposited into account 750.10 *Vending Faculty Commissions* and subsequently transferred into account 450.50 *PSA-Transfers In*.

Recordkeeping staff was not familiar with fund account guidance relative to receiving and processing the school's faculty vending commissions.

Financial records are not accurately stated when transactions are not recorded in the appropriate accounts. Potential insolvency of accounts may not be readily detected and the audit trail may be compromised.

Recommendation: The recordkeeping staff should familiarize themselves with the procedures listed in the APM related to receiving vending commissions and the administration of the Principal-Sponsored Activities fund accounts.

**Imagine Lincoln Public Charter School
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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Imagine Lincoln Public Charter School was issued for the period ended September 30, 2021. The current principal was not on staff during that audit; the current recordkeeping staff was on staff during that audit. There were **5** findings noted as a result of that audit and **1** is repeated as summarized below.

- **Mismanagement of Funds Received** – Condition was not noted during this audit.
- **Excessive Spending in Restricted Fund Accounts** – Condition still exists. See **Finding 2023.01** regarding *Restricted Account Deficits*.
- **Inadequate Approval and Delinquent Payment of Invoice** – Condition was not noted during this audit.
- **Delinquent Bank Reconciliations** – Condition was not noted during this audit.
- **Insufficient Check Signers** – Condition was not noted during this audit.

ACKNOWLEDGEMENT

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

