

CONFIDENTIAL



November 21, 2017

MEMORANDUM

To: Brian Baudoin, Instructional Director  
Cluster 7

Benjamin Roberts, Principal  
Imagine Lincoln Public Charter

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for Period October 1, 2016 through September 30, 2017

An audit was completed on the financial records of **Imagine Lincoln Public Charter** for the period October 1, 2016 to September 30, 2017. The audit results indicate that the school's internal controls require improvement to ensure compliance with board policies. The exceptions noted are included in the attached report.

As the 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 Accounting procedures Manual for School Activity Funds. Send your signed action plan to the Internal Audit Office, Sasscer Administration Building. 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](mailto: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](mailto: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 M. Maxwell, Ph.D, Chief Executive Officer
- Carolyn Boston, Vice Chair, Board of Education
- K. Alexander Wallace, Board Member, District IV
- Monique Whittington Davis, Ed. D., Deputy Superintendent
- Raymond Brown, Chief Financial Officer
- Helen Coley, Ed. D., Associate Superintendent, Area II
- Loretta White-Khaalid, Executive Assistant Charters & Contract Schools
- Erica Berry Wilson, Esq., Executive Director, Board of Education
- Daniel Reagan, Internal Auditor II

# Internal Audit Report

## Imagine Lincoln Public Charter Student Activity Funds

For the Period Ended September 30, 2017

Imagine Lincoln Public Charter  
Student Activity Funds  
Internal Audit Report  
For the Period Ended September 30, 2017

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Imagine Lincoln Public Charter for the period October 1, 2016 to September 30, 2017. Imagine Lincoln Public Charter'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:

- *Delinquent Deposits;*
- *Mismanagement of Disbursements;*
- *Overpayment of Sales Tax;*
- *Lack of Budgeting for Clubs & Organizations; and*
- *Lack of Third Check Signer on Bank Account.*

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, except for the deviation 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 September 30, 2017.



Michele Winston, CPA  
Director, Internal Audit

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**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations:

**2018.01 Delinquent Deposits**

There were **16** instances where funds were deposited between 1 and 10 days after collection. Funds held overnight exceeded the \$ 250.00 limit stipulated by the APM. There were also **3** instances where deposit dates were not recorded accurately in SFO.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* requires bookkeepers to make deposit of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight. Staff members are prohibited from holding funds overnight.

The APM, Section 3.2.2, *Bookkeepers/Financial Secretaries*, states that the bookkeeper is responsible for accurately recording and reporting the school's financial transactions.

Internal controls have not been established by the principal to ensure timely deposits. For example, restricted hours for staff members to remit funds to the bookkeeper have not been established. The former bookkeeper stated that teachers often remitted funds later in the day when competing priorities prevented her from making frequent trips to the bank. She also stated that incorrect posting of deposit dates occurred due to her lack of oversight.

Delinquent deposit of funds received constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. Untimely deposits can lead to lost or stolen funds.

**Recommendation:** The current principal and bookkeeper should develop and document specific internal controls for the receipt, remittance, and deposit of funds. This should include specific training and instruction to staff relative to collection and remittance of SAF to the office in a fashion that allows the new bookkeeper to make timely deposits. The principal should also communicate the importance of daily remittance by teachers. Teachers must be held accountable for compliance.

The current bookkeeper should ensure that all transaction dates are correctly entered into SFO.

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**Recommendation:** The current principal and bookkeeper should provide training to staff to communicate the importance of all expenditures being pre-approved. The current bookkeeper should also ensure that all refund checks are properly classified and supported with related MTFs, and that all voided checks are properly approved.

**2018.03 Overpayment of Sales Tax**

The former bookkeeper accounted for 6% sales tax on fundraiser proceeds during the audit period. During this time, **\$572.31** in sales tax was incorrectly collected and remitted to the State of Maryland.

The APM, Section 8.3, *Sales Tax Procedures*, cites Maryland House Bill 234, *Sales and Use Tax Exemption for Parent-Teacher Organization Fundraisers*, states that fundraising proceeds are exempt from sales tax.

The former bookkeeper was not aware of the recent exemption of fundraising proceeds from sales tax. She stated that she accounted for sales tax on fundraising items on direction from the previous bookkeeper. The overpayment of sales tax constitutes non-compliance with BOE policies and procedures. Funds that were unnecessarily collected from students and remitted to State of Maryland represent funds that are no longer available to benefit the student body as intended.

**Recommendation:** The current bookkeeper and principal should familiarize themselves with the regulations regarding sales tax collection and remittance and ensure that collection of sales taxes on fundraising proceeds is discontinued.

**2018.04 Lack of Budgeting for Clubs & Organizations**

School clubs and organizations have not developed and submitted annual budgets. The school had **5** clubs that conducted financial transactions during the audit period – Game Club, Art Club, SGA, Basketball and Cheerleading.

The APM, Section 7.3, *Class and Club Accounts*, requires principals and teachers to work closely with students in planning finances (budgeting) for their clubs and organizations. School clubs shall have as much autonomy as possible in spending money as permitted by Board regulations. However, funds shall not be used without majority consent of the students involved. A copy of annual budgets must be provided to the school's bookkeeper.

The former and current bookkeepers were unaware of the requirement for submission of annual budgets by clubs and organizations. Failure to develop and submit annual club budgets constitutes non-compliance with BOE policies and procedures.

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- **Insolvent Field Trip Account** – Condition still exists, but controls appear to be working to resolve the account. Finding was not reported as a repeat finding.
- **Mismanagement of Disbursements** – Condition still exists. See **Finding 2018.02** regarding *Mismanagement of Disbursements*.
- **Year-End Monetary Transmittal Forms Procedures Not Followed** – Controls appear to be working.
- **Delinquent Deposits** – Condition still exists. See **Finding 2018.01** regarding *Delinquent Deposits*.
- **Administration of Checks** – Condition still exists. See **Finding 2018.02** regarding *Mismanagement of Disbursements*.

**ACKNOWLEDGEMENT**

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