



July 3, 2018

MEMORANDUM

To: Elizabeth Saunders, Instructional Director
Cluster 2

Omolara Asafa, Principal
Chesapeake Math and IT Public Charter School – South

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for August 1, 2016 through February 28, 2018

An audit was conducted of the financial records of Chesapeake Math & IT – South Public Charter School for the period July 1, 2016 through February 28, 2018. The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures 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 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 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.

Enc.

cc:

Segun Eubanks, Ed. D., Board Chair
Kevin M. Maxwell, Ph. D, Chief Executive Officer of Schools
Carolyn Boston, Vice Chair, Board of Education
Members, Board of Education
Erica Berry Wilson, Esq., Executive Director, Board of Education
J. Michael Dougherty, CPA, Esq., Director, Financial Services
Denise Greene, Ed. D., Associate Superintendent, Area I
Loretta White-Kaahlid, Executive Assistant, Charter Schools
Derrick Martin, Internal Auditor II

Internal Audit Report

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Chesapeake Math and IT Public Charter School – South for the period July 1, 2016 to February 28, 2018. Chesapeake Math and IT Public Charter School – South'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:

- *Mismanagement of Received and Disbursed*
- *Administration of Voided Checks*

Individually or in the aggregate, these findings resulted in 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 February 28, 2018.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

The Internal Audit Department completed an audit of student activity funds (SAF) for CMIT - South for the period July 1, 2016 to February 28, 2018.

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 Accounting Procedures Manual (APM) and the Board of Education (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 selected bank statements, financial reports, and available cancelled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2016 to February 28, 2018. 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 Funds Received and Disbursed

Unsupported Collections: There were **2** instances where the collections recorded on MTFs did not include documentation to substantiate funds collected.

Unavailable Monetary Transmittal Forms: There were **32** instances where the end of the year MTF remittances were not included in sealed MTF envelopes as required by the APM.

Incomplete School Funds Expenditure Forms: There were **3** instances where the purpose of expenditures and the funds available line on the SFEEF were left blank.

The School Accounting Manual provides the following guidelines regarding the administration of collection and disbursement of SAF:

- *Section 4.5.2 “Cash Receipts” “Collecting Funds: Completing the Monetary Transmittal Form (MTF)”* states that the MTF must be completed with the following information: who collected money, from whom funds were collected, the amount and form of collection, and the reason for collecting. When additional space is required a student Remittance Report, Excel Spreadsheet, class list, receipts, or ticket/report stubs, can be used as attachments.
- Faculty and staff are required to maintain an envelope of MTF remittances for MTFs generated during the year. The bookkeeper keeps the white copy and the faculty retains the pink and white copies. At the end of the year the faculty submits a sealed envelope to the principal containing the pink and white copies.
- The school’s disbursement guidelines require that a SFEEF must be entirely completed and signed by the principal prior to ordering or purchasing goods or services.

Reportedly, the recordkeeping staff stated that the previous principal did not follow the end of the year process for MTF submission and the 2 cases of missing supporting documentation for funds collected was an oversight. The incomplete SFEEFs also occurred as a result of oversight on the recordkeeping staff’s part. Normally the forms are fully completed.

Inaccurate or incomplete SAF documentation and retention reduces assurance that collections and purchases were recorded appropriately and made in accordance with the

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policy and procedure of the APM. Internal controls regarding the collection of funds and disbursements were compromised which increased the potential for loss of assets.

Recommendation: The following should be performed to improve management of SAF:

- a. The principal must hold the recordkeeping staff accountable for ensuring staff members are turning in MTF's with the appropriate supporting documentation as required by the APM prior to performing the verification signature.
- b. Internal controls must be implemented to ensure that end of year MTF envelopes are sealed and presented to the principal or designee during the year-end check-out process.
- c. The MTF envelopes must be secured and made available to internal audit upon request. The principal and bookkeeper should due care is exercised to ensure that the disbursement process is fully understood and SFEFs are entirely completed for each disbursement processed.

2018.02 Administration of Voided Checks

There were 5 instances where the Void Check Proof Sheets and/or SFEFs were not completed and approved by the principal. Also, there were 5 instances where the voided checks were not properly voided by removal of signature line.

The 2008 School Accounting Manual section 4.5.3.2.4 on *Voiding Checks* instructs that when voiding a check, the physical check must still be accounted for. The word "VOID" is required to be written across the face of the check. The signature portion of the check must be cut off and destroyed. The check must also be voided in the computer. A SFEF or Void Check Proof Sheet should also be completed and approved by the principal, noting the check was voided.

The recordkeeping staff was not familiar with internal controls regarding the administration of voided checks. Inappropriate administration of checks exposes the school to fraud, waste and abuse of its resources.

Recommendation: The bookkeeper must be reminded of the importance of administering checks as required by the APM. All voided checks must have "VOID" written across the face of the check. The signature line must be removed and the voided checks attached to SFEFs or approved Void Check Proof Sheets.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Chesapeake Math and IT Public Charter School - South was issued for the period ended June 30, 2016. During that period, the principal did not hold her current position. The previous audit report included 1 reportable condition, which is repeated in the current audit. The only finding noted as a result of the prior audit and the current status is: **2017.01: Year End Monetary Transmittal forms** – Condition still exist. See **Finding 2018.01** regarding *Mismanagement of Funds Received and Disbursed*.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Chesapeake Math and IT Public Charter School – South for their cooperation and assistance during the audit.