



August 30, 2018

MEMORANDUM

To: Elizabeth Saunders, Instructional Director
Cluster 12

H. Douglas Rice, II, Principal
Imagine Andrews Public Charter School

From: Michele Winston, CPA, Director
Internal Audit

Re: Student Activity Funds Financial Audit as of June 30, 2018

An audit of the financial records **Imagine Andrews Public Charter School** was completed for the period July 1, 2017 through June 30, 2018. 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 policies and procedures. 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 APM. Please note that you are required to provide your signed and dated 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.

cc: Segun Eubanks, Ed. D., Board Chair
Monica Goldson, Ed. D., Interim Chief Executive Officer
Carolyn Boston, Vice Chair, Board of Education
Members, Board of Education
Helen Coley, Ed. D, Chief, School Support and Leadership
Christian Rhodes, Chief of Staff
Erica Berry Wilson, Esq., Board Executive Director
J. Michael Dougherty, Director, Financial Services
Loretta White-Kaahlid, Executive Assistant, Charter Schools
Alicia Robinson, Internal Auditor II

Internal Audit Report

Imagine Andrews Public Charter School
Student Activity Funds

For the Period Ended June 30, 2018

**Imagine Andrews Public Charter School
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2018**

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**Imagine Andrews Public Charter School
Student Activity Funds
Internal Audit Report
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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Imagine Andrews Public Charter School for the period July 1, 2017 to June 30, 2018. Imagine Andrews Public Charter School'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 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 a single finding, *Mismanagement of Funds Received*.

These findings, individually or in aggregate, resulted in deviations 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, 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 June 30, 2018.



Michele Winston, CPA
Director, Internal Audit

**Imagine Andrews Public Charter School
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2018**

SUMMARY

The Internal Audit Department has completed an audit of the student activity funds (SAF) for Imagine Andrews Public Charter School for the period July 1, 2017 to June 30, 2018. The audit was conducted as part of the annual audit plan.

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 for School Activity Funds (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 examination of selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period July 1, 2017 to June 30, 2018. Also, available 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:

2019.01 Mismanagement of Funds Received

There were at least **6** instances of non-compliance regarding the management of funds received. The following indicates the issues of non-compliance:

- A. ***Delinquent Deposits:*** There were at least **2** instances where funds were not remitted timely to the recordkeeping staff. The school store sponsor held funds prior to remitting them to the recordkeeping staff for deposit. ***This finding was noted during the previous audit period ended June 2017.***

- B. ***Sales Tax:*** There were at least **4** instances where girls' basketball uniforms and school store supplies were sold and sales taxes were not collected and remitted to the State of Maryland.

The following criteria are established in the APM relative to the administration of collections:

- A. The APM section 4.5.2.2 (1), (2) *Collecting Funds* require **all** funds collected to be remitted to the bookkeeper on the day of collection. The bookkeeper is also required to make timely deposits with the financial institution. Deposits are recommended at least every other day when funds under \$250.00 are collected. Funds collected in excess of \$250.00 are required to be deposited on the day of collection.

- B. The APM section 8.3 *Procedures, Sales Tax* indicates that when a school engages in resale of items, collection and remittance of sales tax for merchandise sold, other than fundraising related items, withholding and remittance to the State of Maryland is required.

The following causes resulted from the non-compliance regarding management of funds received:

- A. Despite previous admonition from Internal Audit, the dean of culture (store representative) did not remit funds timely to the recordkeeping staff due to the small amount of collections.

- B. The recordkeeping staff was not aware that school store and girls basketball uniforms were sales taxable.

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Mismanagement of funds received constitutes noncompliance with BOE policies and procedures and increases financial risk to the school and to staff members. Specifically,

- A. Internal controls are compromised when funds are retained in the school longer than required. Internal controls for ensuring all SAF collected were subsequently deposited was weakened and the potential for loss of assets increased.
- B. The BOE could be penalized when schools do not adhere to the sales tax requirements.

Recommendation: The following recommendations are suggested for compliance with the requirements for management of funds received:

- A. The staff should be reminded via inter-office mails that funds collected must be remitted daily to the recordkeeping staff to ensure prompt deposits the financial institution.
- B. The recordkeeping staff should familiarize herself with the applicable sales tax law relative to resale items as stated in the APM. The principal and recordkeeping staff should ensure that delinquent sales tax is posted to the Sales Tax account for future payment by the Treasury Department of the State of Maryland.
- C. The principal should complete a periodic review of cash receipt files to ensure compliance with Board policies and procedures (all funds are remitted and deposited timely and applicable sales tax is assessed for all non-fundraiser items sold).

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Imagine Andrews Public Charter School was issued for the period ended June 30, 2017. The current principal and recordkeeping staff were on staff. There was **1** finding noted as a result of that audit. The **1** repeat finding is noted in the current audit and is included in this report. The following finding was noted as a result of the previous audit and the current status is indicated below:

- **Delinquent Deposits** – Condition still exists. **See Finding 2019.01** regarding *Mismanagement of Funds Received – Delinquent Deposits*.

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ACKNOWLEDGEMENT

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