



August 31, 2018

MEMORANDUM

To: Elizabeth Saunders, Instructional Director
Cluster 12

Jessica Johnson, Principal
Imagine Foundations at Morningside 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 Foundations at Morningside 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 of Schools
Carolyn Boston, Vice Chair, Board of Education
Members, Board of Education
Christian Rhodes, Chief of Staff
Helen Coley, Chief School Support and Leadership
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 Foundations at Morningside Public
Charter School
Student Activity Funds

For the Period Ended June 30, 2018

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

Table of Contents

INTERNAL AUDITOR’S REPORT.....	2
SUMMARY.....	3
OBJECTIVES.....	3
SCOPE.....	3
FINDINGS AND RECOMMENDATIONS.....	4
STATUS OF PRIOR AUDIT FINDINGS	7
ACKNOWLEDGEMENT	7

Imagine Foundations at Morningside Public Charter School
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2018

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Imagine Foundations at Morningside 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 following findings:

- *Transactions Not Properly Recorded,*
- *Mismanagement of Disbursements and*
- *Fundraiser Forms/Reports Not Completed*

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 Foundations at Morningside 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 Foundations at Morningside Public Charter School for the period July 1, 2017 through 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.

Imagine Foundations at Morningside Public Charter School
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2018

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2019.01 Transactions Not Properly Recorded

There were at least **2** instances where receipts were incorrectly posted.

- A. The school received a refund of \$20.25 for a conference which was posted to Unrestricted Donation fund account.
- B. A student picture commission check in the amount of \$1,174.00 was also inappropriately posted to the Yearbook fund account.

The APM section 3.2.2 *Ownership, Bookkeepers/Financial Secretaries* requires the bookkeeper or financial secretary to accurately record and report the school's financial transactions. Also, the APM section 4.3.2 *Fund Account Procedures* states that transactions should be recorded in the most specific account relating to the activity.

The staff member that completed the Student Picture MTF identified the funds as "Yearbook" instead of "Unrestricted Student Pictures". The recordkeeping staff was not familiar with the chart of accounts and purpose; therefore, improperly posted the transactions.

Financial records are distorted when collections are not posted accurately. Misclassified transactions impact the accuracy of the financial records and the principal's ability to make informed decisions.

Recommendation: Due care should be exercised when posting transactions to ensure accurate financial reporting. The recordkeeping staff should seek to become familiar with the chart of accounts. The principal should perform periodic reviews of financial reports to ensure that transactions are posted accurately.

2019.02 Mismanagement of Disbursements

There were at least **4** instances of non-compliance regarding disbursements. The following indicates the instances of non-compliance:

- A. ***Delinquent Payment of Invoice and/or Reimbursement:*** There were at least **2** instances where an invoice and a reimbursement was delinquent. The delinquency ranged from **6 to 81** days.
 - A Bookfair invoice was dated December 20, 2017 and was not paid until January 25, 2018.

Imagine Foundations at Morningside Public Charter School
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2018

- A staff member purchased school related items in November 2017 but was not reimbursed until March 13, 2018.
- B. ***Sales Taxes Reimbursed on Items Purchased:*** There were at least 2 instances where sales taxes totaling \$19.97 were reimbursed to staff members for school related purchases.
- A staff member purchased items on-line and sales tax of \$3.44 was included in the total reimbursed.
 - Another staff member purchased items and sales taxes of \$16.53 were included in the total reimbursement.

The following criteria is established in the APM:

- A. The APM section 4.5.3.1 (2) *Cash Disbursement Inclusion of Supporting Documentation* requires that invoices and/or reimbursements should be paid within 30 days of receipt and have appropriate documentation.
- B. The APM section 8 (3) *Sales Tax Procedures* requires that purchases made by PGCPs are sales tax-exempt, if used in the conduct of school business. The sales tax-exempt certificate should be provided to the vendor when making a school purchase.

The following cause resulted from the non-compliance regarding management of disbursements:

- A. There was a transition in the recordkeeping staff's position, which resulted in the delinquent payment of a Bookfair invoice. The staff member did not submit the reimbursement request timely to the recordkeeping staff which resulted in tardy reimbursement.
- B. The recordkeeping staff did not deduct the sales taxes from the amount due the staff members because she was reportedly unaware that sales tax should not be reimbursed.

The following effect resulted from the noncompliance of management of disbursements:

- A. Internal controls are compromised when payments and/or reimbursement are not issued timely. Inaccuracies in financial reports may occur when payments are not made timely and therefore not reflected in financial reports.
- B. The school's resources were not used efficiently since sales taxes were paid and reimbursed for sales tax-exempt purchases.

Imagine Foundations at Morningside Public Charter School
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2018

Recommendation: The following recommendations are suggested to comply with disbursement policies and procedures:

- A . The principal should establish procedures to ensure that all disbursements are made in accordance with the APM. The recordkeeping staff should ensure that all invoices, including reimbursement requests, are processed timely and paid from an invoice. Staff should be reminded of the importance of timely submission of invoices and reimbursement requests.

- B . The recordkeeping staff should review the APM to have a clear understanding of the requirements for sales taxes and ensure that sales taxes are not reimbursed when issuing reimbursements to staff members or when processing payments for school related expenditures.

2019.03 Fundraiser Forms/Reports Not Completed

The school did not comply with the requirements for administering fundraisers during the audit period. Fundraising activities were held for Music and Bookfair; however, Fundraiser Request and Authorization Forms and Fundraiser Completion Reports were not completed. School-wide fundraisers of Mid-Atlantic Fundraising such as Student Pictures, Giant, Box Tops and Panera Bread were also held during the audit period; however, the Fundraiser Completion Reports and the an annual report summarizing fundraising activities were not completed.

Administrative Procedure 5135.1, *Fundraising* requires schools to complete the Fundraiser Request and Authorization Forms, Fundraiser Completion Reports and an annual report summarizing all fundraising activities sponsored during the school year. These documents must be maintained on file for public and auditor review upon request.

The principal and recordkeeping staff were not aware of the requirements relative to completion of fundraiser forms. It could not be readily determined whether the school's fundraisers yielded an overall profit. As a result, pertinent financial information for the school's administrators to make fiscal decisions was not available.

Recommendation: The principal must establish procedures to ensure completion of all Fundraiser Request and Authorization Forms, Completion Reports and annual reports of fundraising activities for fundraising events held during the school year. The required reports must be maintained on file for public and auditor review.

Imagine Foundations at Morningside Public Charter School
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2018

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Imagine Foundations @ Morningside Public Charter School was issued for the period ended June 30, 2017. The current principal and recordkeeping staff were not on staff. The principal began her tenure in July 2017. The recordkeeping staff was in another capacity at the school. She began her tenure in January 2018. The only finding noted as a result of that audit and the current status is, **Delinquent Deposits** where controls appear to be working.

ACKNOWLEDGEMENT

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