


January 29, 2021

MEMORANDUM

To: Elizabeth Saunders, Instructional Director
Public Charter Schools

Tenika Fryson, Ed. D., Principal
CMIT Academy North – Elementary Public Charter

From: Michele Winston, CPA 
Director Internal Audit

Re: Financial Audit for July 1, 2017 to November 30, 2020

An audit was completed on the financial records of **CMIT Academy North – Elementary Public Charter** for the period July 1, 2017 to November 30, 2020. The audit indicates that the school's internal controls require some improvements to be in full compliance with the Accounting Procedures Manual 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 principal of the school, you will be responsible for preparing an action plan by March 1, 2021 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 your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org and Katrina Greene, School Activity Funds Support Specialist, email address: katrina.green@pgcps.org.

Enclosure

cc: Juanita Miller, Ed. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Christian Rhodes, Chief of Staff
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Katrina Greene, Student Activity Fund Support Specialist
Helen Coley, Ed. D., Chief, School Support and Leadership
Joeday Newsom, Esq., Ethics Compliance Officer
Suzann King, Esq., Executive Director, Board of Education
Loretta White-Khaalid, Executive Assistant, Public Charters and Contract Schools
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Prince George's County Public Schools Internal Audit Department | Michele Winston, CPA, Director
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Internal Audit Report

**CMIT Academy North – Elementary Public
Charter School
Student Activity Funds**

For the Period Ended November 30, 2020

CMIT Academy North – Elementary Public Charter
Student Activity Funds
Internal Audit Report
For the Period Ended November 30, 2020

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CMIT Academy North – Elementary Public Charter
Student Activity Funds
Internal Audit Report
For the Period Ended November 30, 2020

Internal Auditor’s Report

We have examined the Student Activity Funds (SAF) of CMIT Academy North – Elementary Public Charter School for the period July 1, 2017 through November 30, 2020. CMIT Academy North – Elementary Public Charter School’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 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 findings:

- *Mismanagement of Disbursements;*
- *Mismanagement of Monthly Reporting;*
- *Mismanagement of Journal Entries;*
- *Fundraiser Forms Not Completed; and*
- *Voided Checks Not Properly Administered*

Individually or in the 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 deviations 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 November 30, 2020.



Michele Winston, CPA, Director
Internal Audit

CMIT Academy North – Elementary Public Charter
Student Activity Funds
Internal Audit Report
For the Period Ended November 30, 2020

SUMMARY

The Internal Audit Department completed an audit of the student activity funds (SAF) for CMIT Academy North – Elementary Public Charter School for the period July 1, 2017 to November 30, 2020.

The audit and investigation indicate that the school's internal controls are strong but require some improvements to be in full compliance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education policies and procedures.

This audit report includes **5** findings that occurred under the leadership of the current and former principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. In addition, 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 complies with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit 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 bank statements, financial reports, selected cancelled checks, and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff, for the period July 1, 2017 to November 30, 2020. In addition, selected receipts, disbursements and supporting documentation were reviewed for the said period.

CMIT Academy North – Elementary Public Charter
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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2021.01 Mismanagement of Disbursements

The following exceptions pertaining to the management of disbursements were identified:

- A. ***Lack of Proper Approvals:*** There were 6 instances where the principal did not provide proper pre-approval for field trip expenditures. *(This condition was previously noted in the report dated June 30, 2017)*

- B. ***Contract Signature:*** A contract with a field trip vendor was signed by a teacher in 1 instance.

The APM, Section 4.5.3, *Cash Disbursements*, states that prior to ordering or purchasing goods or services, a School Funds Expenditure Form (SFEF) must be completed and signed by the principal.

Administrative Procedure 5132.2, *Principal's Contracting Authority* states that the principal is the only school employee with contracting authority.

The current principal explained that the process for field trip approval has not been effective in ensuring timely review by the principal. Often, SFEFs were not completed and submitted until after the invoice has already been received. The previous principal stated that she was unable to effectively train the previous financial recordkeeping staff and teachers in following controls established following the previous audit. The teacher's signing of a contract with a field trip vendor was attributed to the principal's lack of timely review of field trip documentation.

Inadequate management of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. An ineffective pre-approval process prevents the principal from determining that expenditures are appropriate, and that all contracts are appropriately signed by the principal.

Recommendation: The principal and financial recordkeeping staff should develop and document procedures for field trips to ensure the principal reviews and pre-approves all SFEFs prior to commitment of funds for field trip transportation and vendors. Further, it should be communicated to staff that only the principal has signature authority for entering into contracts with vendors. Staff should be held accountable for compliance.

CMIT Academy North – Elementary Public Charter
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2021.02 Mismanagement of Monthly Reporting

The following exceptions pertaining to the bank reconciliations process were identified for the 12 bank reconciliations reviewed:

- A. There were **5** instances where bank reconciliations reviewed were signed by the principal after the 15th of the following month. (July 2017, March 2020, May 2020, August 2020, November 2020)
- B. There were **2** instances where bank reconciliations reviewed were prepared by the financial recordkeeping staff after the 15th of the following month. (July 2017, August 2020)

The APM, Section 5.0, *Monthly Reconciliation and Financial Reporting*, states that the purpose of the bank reconciliations is to ensure that differences between the bank and School Funds Online (SFO) balances are due to timing, rather than error. Further, it states that the principal should receive and approve the package of reports, to include the bank reconciliation and the Insolvency Report, by the 15th of each month.

The July 2017 bank reconciliation was prepared late due to closure of SFO for the yearly update. The August 2020 bank reconciliation was prepared late due to delays in getting current financial recordkeeping access to SFO when she began in the position.

The March and May 2020 reviews were delayed due to the COVID-19 school closures. The current financial recordkeeping staff explained that the November 2020 bank reconciliation was not reviewed by the principal timely because they failed to coordinate a time to meet by December 15th. It was the first reconciliation that was completed independent of the SAF support specialist.

Untimely and unapproved bank reconciliations constitute non-compliance with BOE policies and procedures and have increased financial risk to the school. The bank reconciliation process is the most effective internal control to ensure that funds are properly deposited and recorded. *(This condition was previously noted in the report dated June 30, 2017)*

Recommendation: The current principal and financial recordkeeping staff should ensure that reconciliations are completed and approved by the required date each month. A set meeting time should be scheduled and honored each month to provide the current principal and financial recordkeeping staff an opportunity to review and approve the monthly reports timely and resolve any issue resulting from this process.

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2021.03 Mismanagement of Journal Entries

There were 2 instances where prohibited transfers were made from restricted to unrestricted fund accounts.

Date	Posted Account	Offset Account	Amount
7/19/17	460.00 Sales Tax	705.00 Bank Interest and Charges	\$48.72
9/14/18	505.00 Agenda Books	745.10 Student Lunch Loan	\$100.00

The APM, Section 4.5.4, *Transfer of Funds*, states that when expenditures are recorded in unrestricted accounts that lack specific funding source, funds must be transferred from an unrestricted account to cover the expenditure, not from a restricted account. The Chief Financial Officer released Bulletin M-16-16 to all schools on April 6, 2016 stating that the Treasury Operations Office will pay all sales taxes payable, on a quarterly basis, based upon amounts recorded by the schools in their accounting software in the Sales Tax account.

The previous financial recordkeeping staff was not aware of the specific prohibitions on restricted to unrestricted fund transfers. The audit uncovered other instances of prohibited transfers being made; however, but the Accounting and Financial Reporting Office properly corrected them during the trimester reporting process. The prohibited transfers represent non-compliance with Board policies and procedures. In addition, the transfer of funds from the sales tax account prevented proper payment to the State of Maryland by the Treasury Operations Office.

Recommendation: The current financial recordkeeping should immediately transfer \$48.72 from the PY Carryover account to the Sales Tax account to facilitate proper remittance of funds due to the State of Maryland by Treasury Operations at the end of the third quarter.

The current financial recordkeeping staff should consider the prohibitions on transfers prior to making future journal entries.

2021.04 Fundraiser Forms Not Completed

The school conducted 5 school-wide fundraisers during the audit period. However, Annual Fundraising Summaries have not been completed during the audit period as required.

The APM, Section 7.2.2, *Fundraising Procedures*, states that the principal should prepare an annual report summarizing all fundraising activities concluded during the school year. The data in this annual report should be available for review by parents, other interested members of the community, and include the net amount retained as profit from each fundraising activity.

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The current principal and financial recordkeeping staff were not aware of the fundraising requirements for annual reporting. The larger scale fundraisers were carried out by the school's Parent Teacher Organization (PTO).

Failure to complete required fundraiser forms constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. It decreases transparency of fundraising activities and the associated profits to interested parents and community members. *(This condition was previously noted in the report dated June 30, 2017)*

Recommendation: The current principal and current financial recordkeeping staff should review the section of the APM relative to the completion of fundraiser forms and establish procedures for completing and submitting required fundraiser forms for school-sponsored fundraisers.

2021.05 Voided Checks Not Properly Administered

There were **3** instances where voided checks were not properly defaced.

The APM, Section 4.5.3, *Cash Disbursements*, states that voided checks must be defaced and filed in check number order with cancelled check images. All transactions must be entered into SFO.

The previous financial recordkeeping staff was not aware of the requirement to deface voided checks because she did not fully review the previous audit report. The failure to properly deface voided checks represents non-compliance with Board policies and procedures and increases the risk of check fraud for the school. *(This condition was previously noted in the report dated June 30, 2017)*

Recommendation: The current financial recordkeeping staff should continue to properly deface and file voided checks. The principal should provide oversight of this process.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for **CMIT Academy North – Elementary Public Charter** was issued for the period ended **June 30, 2017**. There were **5** findings reported previously and **4** are repeated. The previous principal was in place from the beginning of the audit period through June 2019. The current principal's tenure began July 1, 2019. The previous financial recordkeeping staff was in place from the beginning of the audit period through June 2020. The current financial recordkeeping staff's tenure began in July 2020. The following findings were noted as a result of the last audit and the current status is indicated below.

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- **Mismanagement of Receipts** – Condition was not noted during this audit.
- **Inadequate Approval of Disbursements** – Condition still exists. See **Finding 2021.01** regarding *Mismanagement of Disbursements*.
- **Administration of Voided Checks** – Condition still exists. See **Finding 2021.05** regarding *Voided Checks Not Properly Administered*.
- **Financial Reporting** - Condition still exists. See **Finding 2021.02** regarding *Management of Monthly Financial Reporting*.
- **Fundraiser Forms** – Condition still exists. See **Finding 2021.04** regarding *Fundraiser Forms Not Completed*.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of CMIT Academy North – Elementary Public Charter School for their cooperation and assistance extended during the audit.

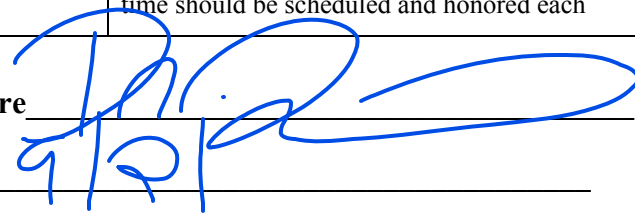
Prince George's County Public Schools
Internal Audit Department
School/Office: CMIT Academy North – Elementary Public Charter

Response Date March 01, 2020

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2021.01</u> Mismanagement of Disbursements	The principal and financial recordkeeping staff should develop and document procedures for field trips to ensure the principal reviews and pre-approves all SFEFs prior to commitment of funds for field trip transportation and vendors. Further, it should be communicated to staff that only the principal has signature authority for entering into contracts with vendors. Staff should be held accountable for compliance.	Concur	A Field Trip Procedure document has been developed and a presentation of the information will be provided to all staff regarding the processes and procedures. A copy of the procedural document and presentation that all staff will have access to is provided in this response below. Attachment 1: CMIT NES-Field Trip Process Attachment 2: CMIT NES Field Trip Procedure Presentation Attachment 3: CMIT NES-MTF PROCEDURES	2/17/21	Implemented
2.	<u>2021.02</u> Mismanagement of Monthly Reporting	The current principal and financial recordkeeping staff should ensure that reconciliations are completed and approved by the required date each month. A set meeting time should be scheduled and honored each	Concur	A standing meeting for the Principal and Bookkeeper to meet has been established and scheduled to take place the 2nd Wednesday of each month. This meeting will allow review of the	1/20/21	Implemented (Ongoing)

Principal Signature _____


Date _____



		month to provide the current principal and financial recordkeeping staff an opportunity to review and approve the monthly reports timely and resolve any issue resulting from this process.		school's financial status and timely processing and submission of the monthly report.		
3.	<u>2021.03 Mismanagement of Journal Entries</u>	<p>The current financial recordkeeping should immediately transfer \$48.72 from the PY Carryover account to the Sales Tax account to facilitate proper remittance of funds due to the State of Maryland by Treasury Operations at the end of the third quarter.</p> <p>The current financial recordkeeping staff should consider the prohibitions on transfers prior to making future journal entries.</p>	Concur	<p>Per the recommendations a funds transfer journal entry was made to transfer from PY Carryover the \$48.72 to the Sales Tax account 460. A copy of the proof sheet has been provided in this response below.</p> <p>Attachment: CMIT NES JE Proof Sheet FundsTransfer PY Carryover Sales Tax.pdf</p>	2/12/21	Implemented
4.	<u>2021.04 Fundraiser Forms Not Completed</u>	The current principal and current financial recordkeeping staff should review the section of the APM relative to the completion of fundraiser forms and establish procedures for completing and submitting required fundraiser forms for school-sponsored fundraisers.	Concur	<p>A Fund Raiser Procedure document has been developed in accordance with PGCPs AP 5135.1 Fund Raising and will be presented and provided to all staff regarding the processes and procedures for school-sponsored fundraisers. The procedural document and presentation that all staff will have access to is provided in this response below.</p> <p>Attachment 1: CMIT NES-Fund Raiser Guidelines</p>	2/17/21	Implemented

Principal Signature

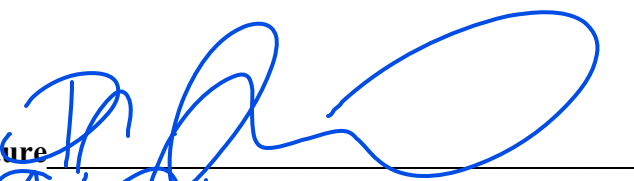
Date



2/19/21

				Attachment 2: PGCPS_AP5135.1_Fund Raising-JAN 22 2016		
5.	<u>2021.05 Voided Checks Not Properly Administered</u>	The current financial recordkeeping staff should continue to properly deface and file voided checks. The principal should provide oversight of this process.	Concur	As per the recommendation, the Bookkeeper will continue current practices of defacing and filing voided checks. The monthly scheduled meeting for the 2nd Wednesday of each month between the Principal and Bookkeeper will ensure management of such practices are being followed accurately.	1/20/21	Implemented (Ongoing)

Principal Signature



Date

2/19/21