



October 16, 2020

MEMORANDUM

To: Elizabeth Saunders, Ed. D, Instructional Director
Cluster 12

Gonul Ozturk, Principal
CMIT North High School

Andrew Brauer, Principal
CMIT North Middle School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period January 1, 2019 through June 30, 2020

An audit was completed on the financial records of **Chesapeake Math and IT Middle/High Schools** for the period January 1, 2019 through June 30, 2020. 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 Fund (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As principal of the school, you will be responsible for preparing an action plan by **November 16, 2020** 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 the action plan should be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; Deborah Smalls, Business Operations Technician, email address: deborah.smalls@pgcps.org; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

Enclosure

cc: Alvin Thornton, Ph. D, Chairman, Board of Education
Monica Goldson, Ed.D, Chief Executive Officer
Members, Board of Education
Christian Rhodes, Chief of Staff
Helen Coley, Ed. D, Chief School Support and Leadership
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Loretta White-Khaalid, Executive Assistant, Public Charters and Contract Schools
Suzann King, Esq., Executive Director, Board of Education
Joeday Newsom, Esq, Ethics Compliance Officer
Theodore Dzodzomenyo, Internal Auditor II

Internal Audit Report

**Chesapeake Math and IT North
High/Middle Schools
Student Activity Funds**

For the Period Ended June 30, 2020

Chesapeake Math and IT North
High/Middle Schools
Student Activity Funds
Internal Audit Report
For the Period Ended June 30, 2020

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Chesapeake Math and IT North Middle/High Schools for the period January 1, 2019 through June 30, 2020. Chesapeake Math and IT North Middle/High 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 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:

- *Inadequate Documentation of Deposits and*
- *Inadequate Approval of Expenditures*

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 deviation from the criteria described in the preceding paragraph, the APM referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended June, 2020



Michele Winston, CPA
Director, Internal Audit

Chesapeake Math and IT North
High/Middle Schools
Student Activity Funds
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For the Period Ended June 30, 2020

SUMMARY

The Internal Audit Department completed an audit on the student activity funds (SAF) for Chesapeake Math and IT (CMIT) North Middle/High Schools for the period January 1, 2019 through June 30, 2020. The audit was conducted as part of the audit plan for the year.

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 to determine whether the school was in compliance with the policies and procedures of the Accounting Procedures Manual for School Activity Funds 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 all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period January 1, 2019 through June 30, 2020. 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:

2021.01: Inadequate Documentation of Deposits

There were **5** instances where the documentation to substantiate the funds received was inadequate. These collections included unsupported ticket sales at sports events and a home coming dance.

According to the APM, MTFs must be completed entirely with the following information. 1) who collected funds; 2) when it was collected; 3) from whom it was collected; 4) the amount and form of the collection; and 5) the reason for collecting. If additional space is needed, a Student Remittance Report, Excel spreadsheet, class list, or ticket/report stubs, can be used as an attachment.

The staff members misunderstood the appropriate documentation that was required to substantiate funds remitted for sporting events and fundraisers. Insufficient documentation of deposits constitutes noncompliance with BOE policies and procedures and increases the risk of loss and fraud. Assurance that all funds collected were accounted for appropriately is also reduced.

Recommendations Staff members must be reminded of the specific items that constitutes sufficient, relevant documentation to substantiate funds collected for sporting events and fundraising events. Such documentation should include ticket reports from sporting events and appropriate reports for fundraisers.

2021.02: Inadequate Approval of Expenditures

There were **4** instances where the principal's pre-approval of the expenditures were not documented on School Funds Expenditure Forms (SFEFs) prior to the obligation of SAF.

According to the APM, SFEFs must be completed and signed by the principal prior to obligating the school's resources. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete this form. The employee can be held personally liable for the obligation, if this procedure is not followed.

The principal indicated that, staff members sought verbal authorization, then completed the SFEF as required. The 4 instances where SFEFs were not presented for approval prior to obligation of SAF was an oversight.

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Inadequate approval of expenditures constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Failure to pre-approve expenditures can also result in unauthorized purchases and fund accounts becoming insolvent.

Recommendation: The principal and recordkeeping staff should be consistent with holding staff members accountable for obtaining written preapproval prior to obligation of the schools resources and expending the SAF.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for CMIT North Middle/High School was issued for the period ended December 31, 2018. The current principal was not in her current position; however, the recordkeeping staff was in her current position. The previous audit report included 5 findings and 1 was repeated in this audit report. The current status of the previous audit report is indicated below.

- **Overpayment of Reimbursement** - Condition was not noted during this audit.
- **Inaccurate Postings in School Funds Online (SFO)** - Condition was not noted during this audit.
- **Inadequate Documentation of Funds Received** - Condition still exists. See Finding 2021.01 regarding *Inadequate Documentation of Deposits*.
- **End of Year Monetary Transmittal Form Envelope Submission Procedures Not Followed** - Condition was not noted during this audit.
- **Delinquent Financial Reporting** - Condition was not noted during this audit.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of CMIT North Middle/High School for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department
School/Office: CMIT Middle/North HS**

Response Date November 16, 2020

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2021.01 Inadequate Documentation of Deposits</u>	Staff members must be reminded of the specific items that constitutes sufficient, relevant documentation to substantiate funds collected for sporting events and fundraising events. Such documentation should include ticket reports from sporting events and appropriate reports for fundraisers.	Concur	Going forward, CMIT will implement the use of ticket reports for all sporting events and fundraisers, when submitting funds are collected.	10/16/2020	Implemented
2.	<u>2021.02: Inadequate Approval of Expenditures</u>	The principal and recordkeeping staff should be consistent with holding staff members accountable for obtaining written preapproval prior to obligation of the schools resources and expending the SAF.	Concur	Going forward, all staff members will continue to be trained and reminded of the proper procedure of receiving the Principal's approval, before using the SAF for school purposes.	10/16/2020	Implemented

Principal Signature 

Date 11/11/2020