


July 23, 2020

MEMORANDUM

To: Elizabeth Saunders, Instructional Director
Charter Schools

Howard 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, 2020

An audit of the financial records **Imagine Andrews Public Charter School** was completed for the period July 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 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 by **August 24, 2020**, 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, email address: internal.audit@pgcps.org. A copy of the 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; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

cc: Alvin Thornton, Ph. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer of Schools
Members, Board of Education
Christian Rhodes, Chief of Staff
Helen Coley, Ed. D., Chief, School Support and Leadership
Loretta White-Khaalid, Executive Assistant, Charter Schools
Joeday Newsom, Esq., Ethics Compliance Officer
Robin Welch, Director of Monitoring, Accountability and Compliance
Suzann King, Esq., Executive Director, Board of Education
Janice Walters-Semple, CPA, Supervisor Internal Audit
Alicia Robinson, Internal Auditor II

Internal Audit Report

Imagine Andrews Public Charter
School

Student Activity Funds

For the Period Ended June 30, 2020

**Imagine Andrews Public Charter School
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2020**

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**Imagine Andrews Public Charter School
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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, 2019 to June 30, 2020. Imagine Andrews Public Charter School 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 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 Disbursement, and*
- *Administration of Contracts*

The findings resulted in a material deviation 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, the SAF referred to above, has been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended June 30, 2020.

Michele Winston, CPA
Director, Internal Audit



**Imagine Andrews Public Charter School
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For Period Ended June 30, 2020**

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, 2019 to June 30, 2020. 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, 2019 to June 30, 2020. 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:

2021.01 Mismanagement of Disbursements

There were at least **4** instances of non-compliance regarding disbursements of SAF as follows:

- A. ***Missing Documentation:*** There were at least **2** instances where documentation to substantiate funds disbursed was missing. The 2 incidents included checks issued to Food and Nutrition Services (FNS) for student lunches where no documentation and/or receipt was provided from the cafeteria manager to support the disbursement.
- B. ***Delinquent Vendor Payment:*** There was at least **1** instance where a vendor payment was 19 days delinquent. The school purchased agenda books July 29, 2019 and the due date for the payment was August 28, 2019. However, the payment was not issued until September 16, 2019. ***This finding was noted during the previous audit period ended June 2019.***
- C. ***Voided Check Not Entered into SFO:*** There was **1** instance where check # 1292 was voided in November 2019, but was not entered in the accounting system by the recordkeeping staff as required by the APM.

The following criteria is established in the APM regarding disbursement of SAF:

- A. Section 4.5.3.1 (2) *Cash Disbursement Inclusion of Supporting Documentation* requires all checks to have itemized documentation attached to the School Funds Expenditure Forms (SFEF) that supports the amount of the expenditure. Invoices and/or reimbursements requests should be honored within 30 days of receipt or by the due date stated on the invoice.
- B. Section 4.5.3.2, *Policies and Procedures, Voiding Checks* requires accounting for a physical check (in SFO) when an error is made at the time it is prepared or a check is damaged. Voided checks are defaced by removal of the signature and account lines. The physical check is then filed in check number.

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The noncompliance regarding management of funds disbursed occurred for the following reasons:

- A. The recordkeeping staff indicated that she was not aware of the requirement to obtain a receipt and/or documentation from FNS cafeteria manager to support the student loan check disbursement. .
- B. The school had not collected funds to pay for the outstanding invoice, and therefore, did not make the payment until sufficient funds were received.
- C. Reportedly, failure to enter the voided check into SFO was an oversight on the part of the recordkeeping staff.

Internal controls are compromised and financial records are distorted when sufficient documentation is not provided to substantiate expenditures, payments are delinquent and voided checks are not properly documented in SFO.

Recommendations: The following recommendations are suggested for appropriate management of disbursements:

- A. The principal should establish procedures to ensure that all disbursements and/or voided checks are processed in accordance with the requirements of the APM
- B. The recordkeeping staff should ensure that documentation is obtained and maintained for every checks issued.
- C. The principal must hold the recordkeeping staff accountable for ensuring that vendor payments are issued in a timely manner.
- D. The recordkeeping staff should be diligent in processing voided checks by making sure that all voided checks are promptly entered into the school's accounting system.

2021.02 Administration of Contracts

The requirements for administration of the school's contracts were not always followed. The school's picture contract was signed by the assistant principal instead of the principal.

Administrative Procedure 5135.2 *Principal's Contract Authority*, requires the principal, as the fiduciary agent of the BOE, to provide signature approval of all contracts entered into for all school activities. It further states that a principal's contracting authorization shall not be delegated to any other individual.

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The sponsor and recordkeeping staff failed to ensure that the principal was provided the contract for review and ratification. The recordkeeping staff indicated that the principal may have been unavailable to sign the contract and an assumption was made that it was appropriate for the assistant principal to obligate the school.

Failure to have a properly executed contract in place constitutes non-compliance with BOE policies and procedures. There is an increased risk that the principal is not aware of the financial obligation of the school when he is not provided the opportunity to review and approve the terms and conditions of the contract.

Recommendations: The principal should establish procedures to ensure that all contracts are provided to the principal for approval prior to obligating the school. Sponsors and the recordkeeping staff should be held accountable for compliance. Signed contracts must be maintained on file in compliance with BOE policies and procedures. Also, copies of all contracts should be forwarded to the Purchasing and Supply Services Department as part of the approval process.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Imagine Andrews Public School was issued for the period ended June 30, 2019. The current principal and recordkeeping staff were in their positions during that audit. There were 2 findings noted as a result of that audit, 2 is partially repeated and the other is fully repeated in this audit as summarized below:

- **Disbursement Deficiencies:**
 - *Delinquent Payment of Invoices* - Condition still exists. See **Finding 2021.01** regarding *Mismanagement of Disbursements*
 - **Misuse of Refunds Vendor Account in SFO** – Controls appear to be working.
- **Administration of Contracts** – Condition still exists. See **Finding 2021.02** regarding *Contract not Signed by Principal*.

ACKNOWLEDGEMENT

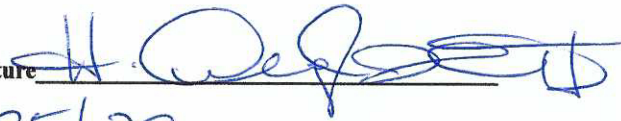
We would like to thank the principal and staff of Imagine Andrews Public Charter School for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department**

School/Office: Imagine Andrews PCS

Response Date August 24, 2020

Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1. <u>2021:01</u> <u>Mismanagement of Disbursements</u>	A. The principal should establish procedures to ensure that all disbursements and/or voided checks are processed in accordance with the requirements of the APM	Concur	Meeting was held with Ms. Hall to go over the finding. We went over the correct policies to ensure that we are staying in accordance requirement of the APM.	8/5/2020	Implemented
	B. The recordkeeping staff should ensure that documentation is obtained and maintained for every checks issued.	Concur	All expenditures will be double checked monthly to ensure that all documentation is maintained accurate.	8/5/2020	Implemented
	C. The principal must hold the recordkeeping staff accountable for ensuring that vendor payments are issued in a timely manner.	Concur	All invoices will be double checked to ensure our vendors are paid on time.	8/05/2020	Implemented
	D. The recordkeeping staff should be diligent in processing voided checks by making sure that all voided checks are promptly entered into the school's accounting system.	Concur	After reviewing the correct policies we will be making sure that all voided checks are entered at the time they are void. Our monthly financial statement will now be reviewed so we stay in compliance.	8/05/2020	Implemented
2. <u>2021:02</u> <u>Administration of Contracts</u>	The principal should establish procedures to ensure that all contracts are provided to the principal for approval prior to obligating the school. Sponsors and the recordkeeping staff should be held accountable for compliance. Signed contracts must be maintained on file in compliance with BOE policies and procedures. Also, copies of all contracts should be forwarded to the Purchasing and Supply Services Department as part of the approval process.	Concur	All signed contracts will be sent to purchasing department, and supply services. This will be reviewed before the contract is signed.	8/5/2020	Implemented

Principal Signature 

Date 8/25/20