



December 3, 2021

MEMORANDUM

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

Jennifer Gerwig, Principal
Imagine Lincoln Public Charter School

From: Michele Winston, CPA, Director
Internal Audit

Re: Financial Audit for the Period November 1, 2019 through September 30, 2021

An audit of the financial records of **Imagine Lincoln Public Charter School** was completed for the period November 1, 2019 through September 30, 2021. 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 **January 4, 2022** 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. **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@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.greene@pgcps.org.

Enclosure

cc: Juanita Miller, Ed. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief of School Support and Leadership
Michael Herbstman, Chief Financial Officer
James Dougherty, CPA, Director, Financial Services
Loretta White Khaalid, Executive Assistant, Charter Schools
Joeday Newsom, Esq., Ethics Compliance Officer
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Iyamide Chris Oduyoye, Internal Auditor II

Internal Audit Report

**Imagine Lincoln
Public Charter School
School Activity Funds**

For the Period Ended September 30, 2021

Imagine Lincoln Public Charter School
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Imagine Lincoln PCS for the period November 1, 2019 through September 30, 2021. Imagine Lincoln PCS'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:

- *Mismanagement of Funds Received;*
- *Excessive Spending in Restricted Fund Accounts;*
- *Mismanagement of Disbursements;*
- *Delinquent Monthly Bank Reconciliations; and*
- *Insufficient Check Signers*

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 September 30, 2021.



Michele Winston, CPA
Director, Internal Audit

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SUMMARY

Internal Audit completed an audit on the school activity funds (SAF) for Imagine Lincoln Public Charter School for the period November 1, 2019 through September 30, 2021. The audit was conducted as part of the department's annual audit plan.

The audit indicated 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 (BOE) policies and procedures.

This audit report includes **5** findings which occurred under the leadership of the current principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. 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 APM and the 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 November 1, 2019 through September 30, 2021. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

This is an audit of funds related to students' activities at the school and does not include SOR funds or any funds not derived from students' activities for the audit period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2022.01: Mismanagement of Funds Received

The following exceptions pertaining to the management of funds received were identified:

- A. ***Delinquent Deposits:*** There were **7** instances where funds received were not deposited as required. The delinquency ranged from **7 to 103** days after the recordkeeping staff received the funds from staff members.

- B. ***Inadequate Documentation of Funds Received:*** There were **2** instances where funds received lacked adequate supporting documentation. Funds were collected from students for the theatre club dinner; however the documentation to substantiate that collection was missing in one instance. There was no detail to determine whether all funds collected were remitted to the recordkeeping staff for a rebate check from McGriff for school pictures.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* states:

- A. All funds collected must be remitted to the bookkeeper on the day of collection along with a completed MTF. The bookkeeper must make deposits of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight.

- B. Staff members collecting funds are required to complete a Monetary Transmittal Form accurately and submit it to the bookkeeper along with the funds collected. The MTF must be entirely completed with the following information: 1) The individual who collected funds, 2) date of collection, 3) from whom it was collected, 4) the amount and form of the collection, and 5) the purpose of the collection. If additional space is needed, a Student Remittance Report, excel spreadsheet, class list, or ticket/report stubs can be used as an attachment.

The following were identified as the causes of mismanagement of funds received:

- A. According to the recordkeeping staff, in some cases, she did not have access to the safe to retrieve the funds and make deposits during the transition of responsibilities.

- B. In the case of the inadequate documentation of funds received, it was reported that the MTF support documentation was misplaced. Duplicate copies were requested but were

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not received because the school was closed at the time due to the pandemic. There was no explanation provided for the second missing support documentation.

Delinquent deposits and inadequate documentation of funds received constitute non-compliance with BOE policies and procedures and increases the risk of loss to the school. Delinquent deposits impacts the accuracy of financial reporting information. The absence of adequate supporting documentation also makes it difficult to verify that all SAF collected were subsequently deposited.

Recommendations: The following steps are recommended to improve the management of collections:

- A. The principal must implement internal controls that ensure the recordkeeping staff always has access to the drop safe to facilitate the deposit of funds collected from staff at least every other day as required.
- B. The principal, recordkeeping staff must familiarize themselves with the requirements for adequate records management. Steps should be taken to ensure that all financial records relative to the collection of SAF are properly maintained in accordance with the requirement of the APM.

2022.02: Excessive Spending in Restricted Fund Accounts

The following restricted accounts had deficits as of September 30, 2021 which aggregated to (\$4,225.46).

Account number	Account Name	Amount
311.20	Basketball Team	(\$ 933.93)
313.00	Student club	(\$1,285.00)
322.00	SGA	(\$ 12.00)
425.30	Damaged Chromebooks/IT Equipment	(\$1,994.53)
	Total Negative balances	(\$4,225.46)

According to the APM, expenditures for all restricted accounts are limited to the amount of funds collected for those activities. However, if restricted accounts exceed the available cash

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balance, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure SAF accounts are solvent at all times.

The recordkeeping staff explained that the restricted fund account deficits occurred prior to the tenure of the principal and herself. The recordkeeping staff consulted with the Accounting and Financial Reporting Office; however, authorization has not been granted to clear these deficits. The risk of insolvency increases when restricted fund accounts are overspent and are not properly managed.

Recommendation: The principal should continue to seek opportunities to clear the deficits by continuing to solicit feedback from the AFRO for guidance on elimination of the deficits. All expenditures from these accounts must cease until the deficits are resolved.

2022.03: Inadequate Approval and Delinquent Payment of an Invoice

There was one instance where the principal's approval was provided subsequent to when a purchase in the amount of \$2,749.80 was made. Payment of this expenditure also occurred 97 days after the due date.

The APM, Section 4.5.3.1 provides the following provisions pertaining to the management of disbursements: Prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. 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 APM requires all invoices to be paid within 30 days of receipt or by the due date indicated on the invoice.

According to the recordkeeping staff, the payment was processed 3 months delinquent because the invoice was received while schools were closed for the COVID-19 pandemic. Also, in this isolated instance the staff member did not seek pre-approval prior to making the purchase.

Inadequate approval can result in inappropriate purchases and accounts insolvent fund accounts. Also, untimely payment of vendor invoices may result in the school being assessed late fees.

Recommendation: The principal and recordkeeping staff should implement internal controls over the approval of expenditures. Staff members must be reminded that, the school may deny them reimbursement if they do not obtain approval from the principal prior to obligating the school's resources. The principal and recordkeeping staff should request that vendor invoices also be emailed whenever possible to the financial recordkeeping staff to help ensure prompt payment.

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2022.04: Delinquent Bank Reconciliations

Monthly bank reconciliations reviewed were prepared after the required date (15th day of the subsequent month) in 4 instances. The bank reconciliations were completed between 7 and 24 days after the due dates.

According to the APM, Section 4.2.2, *Bank Account Procedures*, the principal should receive the bank statement unopened. After reviewing the statement and the cancelled checks, the principal should sign the bank statement and forward it to the bookkeeper. The bank account must be reconciled within 7 days of receipt of the bank statement.

The recordkeeping staff provided the following explanations for the delinquency of the bank reconciliations were because of the following reasons:

- I. SFO was not open to complete the reconciliations on time,
- II. The school did not receive the bank statements in the mail on time and the school were not set up for electronic statements, and
- III. There were instances where the recordkeeping staff was out of the office and missed the 15th deadline.

Delinquent reconciliations impacts the timeliness and reliability of financial information used in the fiscal decision-making process. The principal's ability to promptly verify the school's solvency status and identify individual transactions may be impacted.

Recommendation: The principal must ensure the online school's bank statements are downloaded and made available to the recordkeeping staff to facilitate timely completion of monthly bank reconciliations. The principal must hold the recordkeeping staff accountable for adhering to the monthly financial reporting deadline. The principal must also prioritize the review of monthly bank reconciliations.

2022.05 Insufficient Check Signers

The school currently does not have a third check signer as required. The principal and the recordkeeping staff are the only 2 signers on the school's bank signature card.

According to the Administrative Procedure 4180, *School Bank Accounts*, states that three individuals should be designated as check signers on the account and are listed on the bank "Signature Card". The two standard check signers should be the school Principal and Bookkeeper/Secretary. The third alternate check signer must be a Vice Principal or other school administrator.

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The recordkeeping staff could not explain the absence of the third check signer. The recordkeeping staff agreed to take the necessary steps to add the Assistant Principal as a check signer with the Principal's assistance.

The absence of a third check signer will prevent adequate segregation of duties in the event that the principal or recordkeeping staff had checks made payable to themselves. Secondly when the principal or recordkeeping staff is not available, issuing checks in accordance with the two - signature requirement would not be possible.

Recommendation: The principal should immediately consult with Treasury Services to have a third check signer added to the bank signature card. The third check signer could be the assistant principal or any administrator of the school as required by AP 4180, *School Bank Accounts*.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Imagine Lincoln Public Charter School included 10 findings and was issued for the period ended October 31, 2019. Both the principal and recordkeeping staff were on staff during that audit. There are **4** repeated findings noted during this audit and the current status is indicated:

- 1. Mismanagement of Disbursements** - *Condition still exists* – See Finding 2022.03, *Inadequate Approval and Delinquent Payment of an Invoice*.
- 2. Mismanagement of Funds Received** - *Condition still exists* – See Finding 2022.01, *Mismanagement of Funds Received*
- 3. Ineffective Expenditure Pre-Approval Process**- *Condition still exists* – See Finding 2022.03, *Inadequate Approval and Delinquent Payment of an Invoice*
- 4. Untimely Bank Reconciliations** - *Condition still exists* – See Finding 2022.04, *Delinquent Bank Reconciliations*
- 5. Year-End Monetary Transmittal Form Procedures Not Followed** – The condition was not noted during this audit.
- 6. Voided Checks Not Properly Administered** – The condition was not noted during this audit.
- 7. Fundraiser Forms Not Completed**- The condition was not noted during this audit.

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8. **Failure to Maintain a Current Vending Contract** – The condition was not noted during this audit.
9. **Club Budgets Not Developed** – The condition was not noted during this audit.
10. **Duplicate Sales Tax Remittance to State of Maryland.** – The condition was not noted during this audit.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Imagine Lincoln PCS for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department
School/Office: Imagine Lincoln PCS
Response Date January 04, 2022**

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2022.01: Mismanagement of Funds Received</u>	<p>The following steps are recommended to improve the management of collections:</p> <p>A. The principal must implement internal controls that ensure the recordkeeping staff always has access to the drop safe to facilitate the deposit of funds collected from staff at least every other day as required.</p> <p>B. The principal, recordkeeping staff must familiarize themselves with the requirements for adequate records management. Steps should be taken to ensure that all financial records relative to the collection of SAF are properly maintained in accordance with the requirement of the APM.</p>	Partially Concur	<p>The principal will implement internal controls that ensure the recordkeeping staff always has access to the drop safe to facilitate the deposit of funds collected from staff at least every other day as required.</p> <p>The principal, recordkeeping staff have familiarized themselves with the requirements for adequate records management. Steps should be taken to ensure that all financial records relative to the collection of SAF are properly maintained in accordance with the requirement of the APM.</p>	12/21/21	Implemented
2.	<u>2022.02: Excessive Spending in Restricted Fund</u>	The principal should continue to seek opportunities to clear the deficits by continuing to solicit feedback from the AFRO for guidance on elimination of the deficits. All expenditures from these	Concur	The principal will continue to seek opportunities to clear the deficits by continuing to solicit feedback from the AFRO for guidance on elimination of the	12/21/21	Implemented

Principal Signature _____

Date _____

	<u>Accounts</u>	accounts must cease until the deficits are resolved.		deficits. All expenditures from these accounts must cease until the deficits are resolved.		
3.	<u>2022.03: Inadequate Approval and Delinquent Payment of an Invoice</u>	The principal and recordkeeping staff should implement internal controls over the approval of expenditures. Staff members must be reminded that, the school may deny them reimbursement if they do not obtain approval from the principal prior to obligating the school's resources. The principal and recordkeeping staff will request that vendor invoices also be emailed whenever possible to the financial recordkeeping staff to help ensure prompt payment.	Concur	The principal and recordkeeping staff have implemented internal controls over the approval of expenditures. Staff members must be reminded that, the school may deny them reimbursement if they do not obtain approval from the principal prior to obligating the school's resources. The principal and recordkeeping staff should request that vendor invoices also be emailed whenever possible to the financial recordkeeping staff to help ensure prompt payment.	12/21/21	
4.	<u>2022.04: Delinquent Bank Reconciliations</u>	The principal must ensure the online school's bank statements are downloaded and made available to the recordkeeping staff to facilitate timely completion of monthly bank reconciliations. The principal must hold the recordkeeping staff accountable for adhering to the monthly financial reporting deadline. The principal must also prioritize the review of monthly bank reconciliations.	Partially Concur	The principal will ensure the online school's bank statements are downloaded and made available to the recordkeeping staff to facilitate timely completion of monthly bank reconciliations. The principal will continue to hold the recordkeeping staff accountable for adhering to the monthly financial reporting deadline. The principal will continue to	12/21/21	Implemented

Principal Signature _____

Date _____

				prioritize the review of monthly bank reconciliations.		
5.	<u>2022.05</u> <u>Insufficient</u> <u>Check Signers</u>	The principal should immediately consult with Treasury Services to have a third check signer added to the bank signature card. The third check signer could be the assistant principal or any administrator of the school as required by AP 4180, <i>School Bank Accounts</i> .	Concur	The principal will immediately consult with Treasury Services to have a third check signer added to the bank signature card. The third check signer could be the assistant principal or any administrator of the school as required by AP 4180, <i>School Bank Accounts</i> .	12/21/21	Implemented

Principal Signature _____

Date _____