



September 1, 2021

MEMORANDUM

To: Elizabeth Saunders, Instructional Director
Charter Schools

Jessica Johnson, Ed. D., Principal
Imagine Foundations @ Morningside Public Charter School

From: Michele Winston, CPA, Director
Internal Audit

Re: Student Activity Funds Financial Audit as of June 30, 2021

An audit of the financial records of **Imagine Foundations @ Morningside Public Charter School** was completed for the period July 1, 2020 through June 30, 2021. The audit indicates 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 **October 1, 2021**, 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 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.greene@pgcps.org.

cc: Juanita Miller, Ed. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer of Schools
Members, Board of Education
Mychael Dickerson, Chief of Staff
Michael Herbtsman, Chief Financial Office
J. Michael Dougherty, Director, Financial Services
Helen Coley, Ed. D., Chief, School Support and Leadership
Kasandra Lassiter, Ed. D., Associate Superintendent
Loretta White-Khaalid, Charter Schools Liaison
Joeday Newsom, Esq., Ethics Compliance Officer
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, School Activity Funds Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal Audit
Alicia Robinson, Internal Auditor II

Internal Audit Report

Imagine Foundations @
Morningside Public Charter
School Activity Funds

For the Period Ended June 30, 2021

**Imagine Foundations @ Morningside Public Charter School
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2021**

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Imagine Foundations @ Morningside Public Charter School
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2021

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Imagine Foundations @ Morningside Public Charter School for the period July 1, 2020 to June 30, 2021. Imagine Foundations @ Morningside 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 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:

- *Delinquent Payment of Invoice, and*
- *Restricted Account Deficits*

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, 2021.



Michele Winston, CPA
Director, Internal Audit

Imagine Foundations @ Morningside Public Charter School
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2021

SUMMARY

The Internal Audit Department has completed an audit of the student activity funds (SAF) for Imagine Foundations @ Morningside Public Charter School for the period July 1, 2020 to June 30, 2021. The audit was conducted as part of the annual audit plan.

This audit report includes 2 findings that 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. 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 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, 2020 to June 30, 2021. Also, available 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.

**Imagine Foundations @ Morningside Public Charter School
School Activity Funds
Internal Audit Report
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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2022.01 Delinquent Payment of Invoice

The school processed 2 vendor payments during the audit period. One of the vendor payments processed was delinquent. The delinquent payment was for a virtual magic show that was held on May 14, 2021 and was due on the date of the performance but was not processed until June 21, 2021.

APM section 4.5.3.1 (2) *Inclusion of Supporting Documentation* requires the payment of vendor invoices within 30 days of receipt or by due date on the invoice.

The delinquent invoice payment occurred because of miscommunication between the staff who initiated the payment, the principal, and the recordkeeping staff regarding which restricted fund account should be used to process the payment. This resulted in the invoice not being submitted timely and therefore was not paid timely.

Internal controls are compromised and financial records are distorted when vendor payments are not issued timely and when the recordkeeping staff is not provided with the funding source for invoice payments.

Recommendations: The principal should establish procedures to ensure that all disbursements are made in accordance with the APM and sound business practices. Staff members should include the recordkeeping staff regarding payment decisions to ensure that all available funding is made available to facilitate timely payment of invoices.

2021.02 Restricted Account Deficits

The SAF included 3 restricted fund accounts with deficits totaling **(\$2,769.07)** as of June 30, 2021. The deficits existed as of the previous audit for the period ended June 30, 2020. The following summarizes the deficits:

• 310.00 8 th Grade	(\$1,826.57)
• 311.00 Basketball	(\$ 530.54)
• 420.25 5 th Grade Fieldtrip	(\$ 411.96)
Total	(\$ 2,769.07)

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According to the APM, expenditures for all restricted accounts are limited to the amount of funds collected for those activities. Therefore, if restricted accounts exceed the available cash balance, the account is insolvent. As the fiduciary agent for the SAF, the principal should ensure that restricted accounts are solvent at all times.

The following causes were noted during the FY 2019 audit and continue to contribute to the account deficits:

- The 310.00 8th Grade account deficit of (\$1,826.57) occurred due to insufficient funds collected during FY 2019 for grade activities and payment of a prior outstanding bill that still existed at June 30, 2018.
- The 311.00 Basketball deficit of (\$530.54) was created by a fraud perpetrated by one of the former basketball coaches in FY 2018. The deficit has been reduced from the original amount due to donations to the program.
- The 420.25 5th Grade fieldtrip deficit of (\$411.96) exists due to FY 2019's Camp Schmidt and other fieldtrips where the anticipated number of students did not participate after the cost was predetermined based on students' interest (the school is a charter school and they have to use chartered buses instead of school buses and therefore the cost is greater).

The principal contacted the Accounting and Financial Reporting Office on July 31, 2020 requesting guidance on resolving the restricted account deficits that were noted during prior audit. The Accounting and Financial Reporting Office did not respond to the principal's request due to an oversight. This resulted in the continued deficits as of 06/30/21. On August 12, 2021, Internal Audit contacted the Accounting and Financial Reporting Office as a follow-up to the principal's previous email. The Accounting and Financial Reporting Office acknowledged the oversight of the previous request and indicated that the deficits would be resolved.

Recommendations: The principal should continue to monitor accounts to ensure that deficits do not occur. Also, better planning and budgeting should occur to ensure that the school's resources are expended within available resources.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Imagine Foundations @ Morningside Public School was issued for the period ended June 30, 2020. The current principal and recordkeeping staff were on staff during that audit. There were **3** findings noted as a result of that audit and **1** finding is repeated in this audit. The following findings were noted as a result of the prior audit, and the **current** status is indicated below:

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- **Prohibited Fundraiser** – Controls appear to be working.

- **Restricted Account Deficits** – Condition still exists. **See Finding 2022.02** regarding *Restricted Account Deficits*.

- **Administration of Voided Checks** – Controls appear to be working.

ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department
School/Office: Imagine Foundations Morningside PCS
Response Date October 01, 2021**

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2022.01</u> <u>Delinquent</u> <u>Payment of</u> <u>Invoice</u>	The principal should establish procedures to ensure that all disbursements are made in accordance with the APM and sound business practices. Staff members should include the recordkeeping staff regarding payment decisions to ensure that all available funding is made available to facilitate timely payment of invoices.	Concur	The policy and procedure with those involved in purchasing was revisited for SY22. All have been advised to complete a purchasing request with the principal as a part of the training. The book keeper will continue to handle all payments as dictated by the policy and procedure.	9/8/2021	Implemented
2.	<u>2021.02</u> <u>Restricted</u> <u>Account Deficits</u>	The principal should continue to monitor accounts to ensure that deficits do not occur. Also, better planning and budgeting should occur to ensure that the school's resources are expended within available resources.	Concur	The principal sent a request to accounting and reporting to move the funds to clear the deficits and it was never processed. In the future, the principal will follow up with accounting and reporting if the email request goes unanswered.	9/8/21	Implemented

Principal Signature Jessica Johnson

Date 9/8/2021