

January 19, 2023

MEMORANDUM

To: Elizabeth Saunders, Instructional Director
Cluster 12

Darrian Borden-McCarter, Ed. D., Principal
Chesapeake Math and IT Academy – South Middle/High School

From: Michele Winston, CPA, Director
Internal Audit

Re: Student Activity Funds Financial Audit as of June 30, 2022

An audit of the financial records of **Chesapeake Math and IT Academy – South Middle/High School** was completed for the period May 1, 2019 through June 30, 2022. 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 **February 21, 2023**, 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; and Katrina Greene, email address: katrina.greene@pgcps.org.

cc: Judy Mickens-Murray, Board Chair
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
J. Michael Dougherty, Director, Financial Services
Helen Coley, Ed. D., Chief of School Support and Leadership
Monica Gaines, Ed. D, Charter School Liaison
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Greene, School Activity Fund Support Specialist
Janice Walters-Semple, CPA, Supervisor Internal Audit
Benjamin Hanks, Internal Auditor II

Internal Audit Report

Chesapeake Math and IT Academy North
Middle/High
School Activity Funds

For the Period Ended June 30, 2022

**Chesapeake Math and IT Academy North Middle/High
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2022**

Table of Contents

Internal Auditor’s Report	2
SUMMARY	3
OBJECTIVES	3
SCOPE	3
FINDINGS AND RECOMMENDATIONS	4
STATUS OF PRIOR AUDIT FINDINGS	8
ACKNOWLEDGEMENT	8

**Chesapeake Math and IT Academy North Middle/High
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2022**

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Chesapeake Math and IT Academy North Middle/High School for the period of July 1, 2020 to June 30, 2022. Chesapeake Math and IT Academy North Middle and High School's principals are 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 seven findings:

- *Disposition of Senior Class Accounts;*
- *Untimely Completion of Monthly Financial Reporting;*
- *Records Retention;*
- *Insufficient Documentation of Deposits; and*
- *Mismanagement of Disbursements*

The finding resulted in a 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, considering the deviation from the criteria described in the preceding paragraph, the SAF referred to above has mostly been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended June 30, 2022.



Michele Winston, CPA
Director, Internal Audit

**Chesapeake Math and IT Academy North Middle/High
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2022**

SUMMARY

An audit of the school activity funds (SAF) for Chesapeake Math and IT Academy North Middle/High School was completed for the period July 1, 2020 through June 30, 2022. The audit was conducted as part of the 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. 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 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 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, 2022. 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.

**Chesapeake Math and IT Academy North Middle/High
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2022**

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01 Disposition of Senior Class Accounts

There were **2** instances where senior class accounts carried balances past the academic life of the corresponding senior class, totaling **\$5,476.52**. As of the end of FY 2022, account 304.10 Class of 2021-Dues carried a balance of \$38.72 and account 304.11 Class of 2022-Dues carried a balance of \$5,437.80.

According to AP 3450 *Class and Club Fund Terminations*, no class account can extend beyond the academic life of a senior class. As a senior class nears the end of the school year, it must plan, with the approval of the principal, for the final disposition of any residual class funds. Proper budgeting, accounting, and control of class account resources are important.

Class fund accounts were previously administered by the school's Parent-Teacher Organization (PTO), and were assumed by the school in FY 2021. Senior class sponsors and the principal were not familiar with the requirements for disposing of residual funds in the senior class accounts and did not ensure that a plan was in place as required.

Noncompliance with policies and procedures regarding the disposition of senior class funds can result in restricted funds being used for purposes other than those desired by the class.

Recommendation: The principal should provide a plan for the disposition of the funds remaining in the class accounts for seniors who have graduated to the Office of Accounting and Financial Reporting for approval if the senior class officers are no longer available. A copy of the approved disposition plan should be sent to Internal Audit. The principal, recordkeeping staff, and class sponsors must familiarize themselves with the requirements for the administration of the senior class accounts and ensure they promptly obtain a disposition plan from future senior class officers before graduation.

2023.02 Untimely Completion of Monthly Financial Reporting

There were **6** instances where monthly financial reporting was not completed by the recordkeeping staff and reviewed by the principal in a timely manner. Delays in completion of monthly financial reporting ranged from **6** to **43** days late.

According to APM section 5.1.2 *Monthly Reconciliation and Financial Reporting*, recordkeeping staff is required to complete the reconciliation within 7 days of receiving

**Chesapeake Math and IT Academy North Middle/High
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2022**

the bank statement. All monthly reports should be completed and submitted to the principal for review and approval by the 15th of the following month.

Chesapeake Math and IT – North Middle and High School are currently located in separate buildings but share a combined SAF. Bank statements are delivered to the Middle School, however, recordkeeping staff that administers the SAF works from the High School. Recordkeeping staff is responsible for retrieving bank statements from the Middle School as needed. During the COVID-19 pandemic response, recordkeeping staff assumed additional responsibilities to assist with the overall operation of the school, and as a result some monthly financial reports were delayed.

The principal’s fiscal responsibility is compromised when monthly financial reporting is not available and/or reviewed timely. The principal is unable to make informed financial decisions when monthly financial reporting is not available for review and approval.

Recommendation: The principal and recordkeeping staff should implement procedures to ensure that monthly financial reporting is accomplished in accordance with the requirements included in the APM (bank reconciliation within 7 days of receiving the statement from the bank and the principal’s review and approval completed by the 15th). Recordkeeping staff should ensure that the financial reports are promptly made available for the principal to make fiscally responsible decisions on behalf of the school.

2023.03 Records Retention

There were **22** instances of noncompliance regarding records management, where the following records **could not be located** to substantiate SAF transactions:

- ***End of Year Sealed MTF Envelopes:*** 2 MTFs from 2 staff members from FY 2022
- ***Cancelled Checks:*** 17 Cancelled Check images to support cash disbursements in FY 2021 and FY 2022
- ***Voided Checks:*** 3 Voided Checks from FY 2021 and FY 2022

According to APM section *6.12 Record Retention*, all SAF records must be retained for a period of 7 years and/or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, bank statements, receipts, disbursement authorities, Monetary Transmittal Forms, School Funds Expenditure Forms, cancelled checks, and contracts.

The designated custodian for sealed End-of-Year MTF envelopes was a previous Assistant Principal who is no longer working at Chesapeake Math and IT – North Middle/High Public Charter School. The End-of-Year MTF envelopes in the previous assistant

**Chesapeake Math and IT Academy North Middle/High
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2022**

principal's custody were not transitioned to a new designee upon their departure, and could not be located for audit.

The school's bank account was changed from SunTrust to Truist during the audit period. As a result of this change, cancelled check images that were once included with the school's monthly bank statements ceased to be included. The recordkeeping staff did not request cancelled check images from the bank to ensure that the financial records were complete.

Recordkeeping staff was not familiar with the internal controls required for retaining defaced voided checks. Three checks were printed in error and subsequently voided, but the corresponding checks were not defaced and filed with the school's disbursement documentation.

The absence of an effective records management system impacts the retrieval and accessibility to requested documentation. Evidence for determining that internal controls for ensuring all SAF policies and procedures are followed is removed when financial records are unavailable for review.

Recommendation: The principal and recordkeeping staff should establish an adequate records management system which ensures that all financial documents are maintained in an organized manner. The principal should remind staff that all MTFs should be retained and submitted at the end of the school year to the principal and/or designee, and that adequate procedures are to be completed in the event of a staff member departing the school. The recordkeeping staff must contact the bank immediately to ensure that cancelled checks are included with the schools bank statements. Also, the recordkeeping staff must be held accountable for ensuring that all voided checks are filed as required.

2023.04 Insufficient Documentation of Deposits

There were 2 instances where deposits were made for sporting event ticket sales with insufficient documentation to support the source of the funds deposited.

According to AP 3702 *Ticket Sales, Money Collection, and Accounting for Athletic Events*, the athletic director, recordkeeping staff, or principal must account for all tickets assigned by the Office of Interscholastic Athletics by completing the Mandatory Ticket Report, Cash Voucher Form, and the High School General Admission Ticket Assignment/Reconciliation Sheet.

Staff members were not familiar with the appropriate documentation to include with gate receipt deposits. BOE policies and procedures as established in the AP 3702 were not

**Chesapeake Math and IT Academy North Middle/High
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2022**

followed. The principal did not adequately implement the recommendations from the school's previous audit for the period ending June 30, 2020.

Insufficient documentation of deposits constitutes non-compliance with BOE policies and procedures, increases the risk of loss or fraud, and reduces assurances that all funds collected were accounted for appropriately. *This finding was noted during the previous audit period ended June 30, 2020.*

Recommendation: Staff members must be reminded of the items that constitute sufficient, relevant documentation to substantiate funds collected. A Mandatory Ticket Report should be included with deposits of gate receipt funds. Staff must be held accountable for compliance.

2023.05 Mismanagement of Disbursements

There were **4** instances of noncompliance regarding funds disbursements:

- ***Disbursements Not Adequately Approved*** - There were **2** instances where disbursements were made before a corresponding SFEF was approved by the principal. *This finding was noted during the previous audit period ended June 30, 2020.*
- ***Delinquent Invoice Payments*** - There were **2** instances where invoices were paid in an untimely manner. The invoices were processed 71 and 205 days after the required guideline.

According to APM section 4.5.3.1 *Cash Disbursements Procedures*, an SFEF must be completed and signed by the principal prior to ordering or purchasing goods or services. APM section 4.5.3.1 (2) *Inclusion of Supporting Documentation* states that all SFEFs must include itemized documentation to support the disbursement amount, and that invoices should be paid within 30 days of receipt, or by the due date listed on the invoice.

Staff members sometimes obtained verbal approval for disbursements, and then completed the corresponding SFEF. There were noted instances of staff oversight where the appropriate SFEF was not completed prior to obligating the SAF. The principal was not available to sign and date the SFEF for one disbursement on the day the payment was due.

Gold Line, Inc. issued an invoice to the school on March 8, 2020 for transportation for a field trip to Philadelphia. Around the same time, PGCPSS schools were closed as part of the district's COVID-19 pandemic response plan. Recordkeeping staff did not have check printing capabilities while working remotely, and the invoice was overlooked until payment was able to be issued from the school building on October 29, 2020

**Chesapeake Math and IT Academy North Middle/High
School Activity Funds
Internal Audit Report
For Period Ended June 30, 2022**

Ready 2 Play Ball, Inc. issued an invoice to the school on July 17, 2021 for two basketball tournament games, with a listed due date of September 1, 2021. The school issued payment on November 11, 2021. When the school's athletic director engaged Ready 2 Play Ball, Inc. in July, they were verified to be listed as an approved vendor within School Funds Online. When recordkeeping staff attempted to issue payment they were no longer listed as an approved vendor. Recordkeeping staff delayed issuing payment to Ready 2 Play Ball, Inc. until their approval status was updated, causing a delay in payment until November.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures, and increases financial risk to the school and staff. Failure to obtain pre-approval for purchases increases the school's vulnerability to potential misuse or waste of resources. The school's financial records do not accurately reflect its financial position when invoices are not paid timely. The school could also incur late payment fees and be liable for penalties and interest for delinquent payments.

Recommendation: The principal should establish procedures to ensure that all disbursements are made in accordance with the APM, including the timely payment of invoices and obtaining the principal's approval for disbursements prior to obligating the SAF.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Chesapeake Math and IT – North Middle/High Public Charter School was issued for the period ended June 30, 2020. The current principal was on staff during that audit; the current recordkeeping staff was also on staff during that audit. There were 2 findings noted as a result of that audit that are both repeated as summarized below.

- **Insufficient Documentation of Deposits** – Condition still exists. See **Finding 2023.04** regarding *Insufficient Documentation of Deposits*.
- **Inadequate Approval of Expenditures** – Condition still exists. See **Finding 2023.05** regarding *Mismanagement of Disbursements*.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Chesapeake Math and IT Academy 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 North MS/HS PCS
Response Date January 09, 2023**

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2023.01 Disposition of Senior Class Accounts</u>	The principal should provide a plan for the disposition of the funds remaining in the class accounts for seniors who have graduated to the Office of Accounting and Financial Reporting for approval if the senior class officers are no longer available. A copy of the approved disposition plan should be sent to Internal Audit. The principal, recordkeeping staff, and class sponsors must familiarize themselves with the requirements for the administration of the senior class accounts and ensure they promptly obtain a disposition plan from future senior class officers before graduation.	Concur	SY 2022 was the first year that the school physically handled all Senior dues and purchases. Going forward, we will continue to complete the Senior Expense Worksheet, and include decision from the class sponsor on what to do with the residual funds. If for any reason the sponsor may leave mid-year, the Principal will send a request to accounting to have residual funds transferred to the rising senior account.	12/09/2022	Implemented
2.	<u>2023.02 Untimely Completion of Monthly Financial Reporting</u>	The principal and recordkeeping staff should implement procedures to ensure that monthly financial reporting is accomplished in accordance with the requirements included in the APM (bank reconciliation within 7 days of	Partial Concur	For the past 5 years, we have been in contact PGCP's Accounting office to assist with splitting the bank accounts for CMIT North middle school and high school, as we are no longer in the same	12/09/2022	Implemented

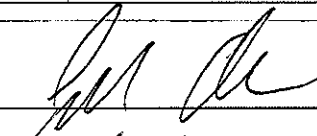
Principal Signature _____

Date 1/11/2023

		receiving the statement from the bank and the principal's review and approval completed by the 15 th). Recordkeeping staff should ensure that the financial reports are promptly made available for the principal to make fiscally responsible decisions on behalf of the school.		building. Responses have been pushed off until 2022. This causes the Bookkeeper to travel back and forth in her personal vehicle to collect cash and bank statements. Going forward, the Bookkeeper will reach out to request an address change, and to check on the status of splitting the accounts.		
3.	<u>2023.03 Records Retention</u>	The principal and recordkeeping staff should establish an adequate records management system which ensures that all financial documents are maintained in an organized manner. The principal should remind staff that all MTFs should be retained and submitted at the end of the school year to the principal and/or designee, and that adequate procedures are to be completed in the event of a staff member departing the school. The recordkeeping staff must contact the bank immediately to ensure that cancelled checks are included with the schools bank statements. Also, the recordkeeping staff must be held accountable for ensuring that all voided checks are filed as required.	Partial Concur	The previous Assistant Principal, who was designated to collect the files at the end of every school year, left abruptly mid school year and did not turn in collected MTF files. As the merger occurred with SunTrust and Truist, it created an issue where check images were not included in the bank statements for the months of March, April, and May 2022. The voided checks in the system were not assigned to a physical check number. This caused the sequence numbers to be incorrect. 2 voided checks were presented and properly defaced and filed. Going forward, we will ensure to collect MTF files as soon as possible from any employee that may decide to leave the school. The Bookkeeper was able to contact	12/09/2022	Partially Implemented

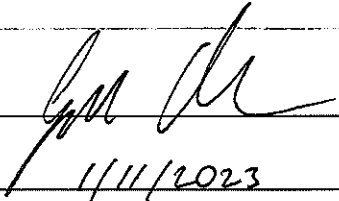
Principal Signature _____

Date _____


11/11/2022

				the bank and receive images of those missing cleared checks. We will continue with the process of properly defacing and documenting voided checks.		
4.	<u>2023.04</u> <u>Insufficient</u> <u>Documentation of</u> <u>Deposits</u>	Staff members must be reminded of the items that constitute sufficient, relevant documentation to substantiate funds collected. A Mandatory Ticket Report should be included with deposits of gate receipt funds. Staff must be held accountable for compliance.	Partially Concur	The previous Athletic Director abruptly resigned on the first day of school and did not turn in any financially related documents for athletics. All requested documents have been presented, however there were two that could not be located. Going forward, we will continue to have monthly trainings/refresher sessions so that staff will remember the proper procedure for money collection documentation. In the meantime, the current AD has been provided will all related policies and procedures.	12/09/2022	Implemented
5.	<u>2023.05</u> <u>Mismanagement</u> <u>of Disbursements</u>	The principal should establish procedures to ensure that all disbursements are made in accordance with the APM, including the timely payment of invoices and obtaining the principal's approval for disbursements prior to obligating the SAF.	Partially Concur	Last school year, all black history month activities and purchases were approved by the Principal verbally, however documentation was not completed at the time of purchase. Going forward all staff will be directed or redirected to the Bookkeeper to complete the appropriate paperwork.	12/09/2022	Implemented

Principal Signature _____



Date _____

1/11/2023