



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 South
Middle/High
School Activity Funds

For the Period Ended June 30, 2022

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

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**Chesapeake Math and IT Academy South 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 South Middle/High School (CMIT South) for the period of May 1, 2019 to June 30, 2022. CMIT South'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 three findings:

- *Mismanagement of Funds Received;*
- *Administration of End-of-Year Monetary Transmittal Form Envelopes Collection;*
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 South 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 South Middle/High School was completed for the period May 1, 2019 to 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 **3** 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 May 1, 2019 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.

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FINDING AND RECOMMENDATION

The audit resulted in the following finding and recommendations:

2023.01 Mismanagement of Funds Received

There were **27** instances of noncompliance regarding funds received:

- ***Deposits Not Accurately Recorded in the Accounting System:*** There were **15** instances where deposits were inaccurately recorded using system generated Deposit ID numbers instead of required MTF serial numbers. Included with these 15 deposits were 8 deposits that also had inaccurate Receiptees' names.
- ***Monetary Transmittal Form Not Adequately Completed:*** There were **8** MTFs where the source of funds was not listed in Section 2, "Remittance Data." The grand total of funds received was not listed in the other instance.
- ***Untimely Deposits:*** There were **2** instances where deposits were not made timely. The delinquency was 9 and 33 days.
- ***Changes Not Properly Made to MTF:*** There were **2** instances where changes made to an MTF's information were not initialed.

According to APM section 4.5.2.2 *Cash Receipts Procedures*, a Monetary Transmittal Form (MTF) must accompany each deposit and include the following information: who collected money, when money was collected, from whom money was collected, the amount and form of money collected, and the reason money was collected. The MTF is a three-part, pre-printed, pre-numbered, self-carbon PGCPS form, and each school is issued unique, numerically sequenced packages of MTFs by Internal Audit, as needed. The person collecting funds is responsible for filling in all required information, including signing and dating the form. The recordkeeping staff is responsible for ensuring accurate recording of financial transactions.

APM section 4.5.2.2 *Cash Receipts Procedures* requires that all funds are deposited at least every other day, however, no more than \$250 should be held overnight. Additionally, all funds collected must be submitted to the bookkeeper on the same day collected, along with a completed MTF.

APM section 4.5.2.2 *Cash Receipts Procedures* requires that when MTF discrepancies are noted during the bookkeeper's review, necessary corrections must be made by the originator of the MTF by drawing a line through the original entry and rewriting the correct entry next to the incorrect entry. The reason for the correction (e.g. "transposition of

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numbers”, “arithmetical error”, etc.) must be noted on the MTF and the originator must sign the correction. Errors are never corrected using whiteout or any other method that obscures the original value on the form.

Chesapeake Math and IT Academy – South processed transactions using funds from their sponsoring foundation as well as from the SAF. Recordkeeping staff was not familiar with the requirements for processing SAF funds received as listed in the APM. Policies and procedures specified by the BOE regarding the collection of funds were not followed.

Inadequate documentation compromises internal controls required for accurate and efficient processing of deposits. The source of funds, amount of funds and to whom the MTF was given cannot be verified when adequate documentation is not available. Moreover, the information for ensuring adequate financial reporting is obscured when the required financial records are not adequately maintained or financial transactions are not accurately recorded.

Recommendation: Recordkeeping staff should contact the Accounting and Financial Reporting Office for additional training on processing financial transactions, and ensure that all MTFs include the required information to support funds received. The principal should perform periodic review of collection records to ensure that all MTFs are accurately documented and timely processed in accordance with the APM requirements. Staff must be held accountable for compliance.

2023.02 Administration of End-of-Year Monetary Transmittal Form Collection

The End-of-Year MTF collection process was not operating as required by the APM. During fiscal year 2022, staff members’ MTFs were collected in a single envelope. Staff members’ fiscal year 2021 MTFs were included in separate MTF envelopes; however, they were not signed over the seal as required.

According to APM section 4.5.2.2 *Cash Receipts Procedures*, “prior to departing at year-end, faculty and program managers are required to submit the pink and yellow MTF remittances in sealed envelopes (with their signature over the seal) to the designated administrator.”

Chesapeake Math and IT Academy - South processed transactions using funds from their sponsoring foundation as well as from the SAF. The principal and recordkeeping staff were unfamiliar with the year-end MTF envelope submission. Policies and procedures specified by the BOE regarding collection of staff member MTFs were not followed.

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Inappropriate administration of year-end MTF envelopes compromises the audit trail for reviewing collections. As a result, internal controls for ensuring that all SAF collected were subsequently deposited were weakened.

Recommendation: The principal and recordkeeping staff must familiarize themselves with the requirements for collection of MTF remittances. Staff members must be reminded of their responsibility relative to the end-of-year MTF collection process, including submitting their MTF copies in separate envelopes that are signed over the seal. Transparent tape should be applied over each signature. Recordkeeping staff should print the SFO report titled “Receiptee History Report” and provide it to the administrator responsible for collecting MTF envelopes at year-end. The principal should instruct the administrator to obtain the MTF envelopes based on the SFO report. The principal should include year-end MTF submission in the end of school year staff check-out procedures to ensure that all staff members comply with this policy.

2023.03 Mismanagement of Disbursements

There were **9** instances of noncompliance regarding funds disbursements:

- ***Disbursements Not Adequately Approved:*** There were **7** instances where purchases were made before a corresponding School Funds Expenditure Form (SFEF) was approved by the principal.
- ***Delinquent Invoice Payment:*** There were **2** instances where invoices were paid in an untimely manner. Payments were processed 1 and 23 days after the due dates.

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

Chesapeake Math and IT – South Public Charter School processes transactions using funds from their sponsoring foundation as well as from the SAF. The principal and recordkeeping staff were not familiar with the requirements for SAF funds disbursements as listed in the APM.

Failure to obtain pre-approval for purchases increases the school’s vulnerability for potential misuse or waste of its 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.

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Recommendation: The recordkeeping staff should become familiar with the disbursement procedures as required by the APM. The principal should implement policies and procedures to ensure staff members obtain approval for expenditures prior to financially obligating the school. Recordkeeping staff should review invoices and statements for past due amounts and ensure that payments to vendors are made in a timely manner.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Chesapeake Math and IT Academy - South Middle/High (formerly CMIT Academy South) was issued for the period ended February 28, 2018. CMIT South Academy South – Middle /High’s financial activities commenced March 2019. Neither the principal nor the recordkeeping staff were in their current positions during that audit. There were 2 findings noted as a result of that audit, including 1 repeated finding as summarized below.

- **Mismanagement of Funds Received and Disbursed** – Condition still exists. See **Finding 2022.01** regarding *Mismanagement of Funds Received* and
- **Finding 2022.03** regarding *Mismanagement of Disbursements*.
- **Administration of Voided Checks** – Condition was not noted during this audit.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Chesapeake Math and IT Academy - South for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools
Internal Audit Department
School/Office: CMIT South MS/HS PCS
Response Date February 21, 2023**

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01 Mismanagement of Funds Received</u>	Recordkeeping staff should contact the Accounting and Financial Reporting Office for additional training on processing financial transactions and ensure that all MTFs include the required information to support funds received. The principal should perform periodic review of collection records to ensure that all MTFs are accurately documented and timely processed in accordance with the APM requirements. Staff must be held accountable for compliance.	Concur	Based on the discussion with the auditor, we learned that the recurring discrepancy was that the MTF numbers were not entered as the deposit ID numbers. Ms. Lacy Wallace, record keeping/principal secretary has attended addition training since the audit findings to include: <ul style="list-style-type: none"> • Fall Secretary Training with Katrina Green • PGCPs Secretaries Academy (6 sessions) • She also met with our auditor, Benjamin Hanks, who clarified the discrepancies and how to correct them Dr. Borden-McCarter, principal, has recurring internal audit meetings scheduled for February 28, 2023,	N/A	Implemented

Principal Signature 

Date 02/24/2023

				April 28, 2023, and June 30, 2023 to review collection records to ensure all MTFs are accurately documented and processed.		
2.	<u>2023.02 Administration of End-of-Year Monetary Transmittal Form Collection</u>	The principal and recordkeeping staff must familiarize themselves with the requirements for collection of MTF remittances. Staff members must be reminded of their responsibility relative to the end-of-year MTF collection process, including submitting their MTF copies in separate envelopes that are signed over the seal. Transparent tape should be applied over each signature. Recordkeeping staff should print the SFO report titled “Receiptee History Report” and provide it to the administrator responsible for collecting MTF envelopes at year-end. The principal should instruct the administrator to obtain the MTF envelopes based on the SFO report. The principal should include year-end MTF submission in the end of school year staff check-out procedures to ensure that all staff members comply with this policy.	Concur	The principal and recordkeeping staff have been updated and familiarized with the requirements. Our athletics department is the only ones who will submit these forms. We have met with our new Athletic Director to ensure everyone understand the process. Anytime money is collected, staff members are required to sign a document stating that they have received a MTF form inclusive of their specific MTF number. They complete the MTF, keep the yellow copy and return the white and pink copy with the funds. Ms. Lacy verifies the amount of funds and clarifies the account number in which the funds are assigned. She then signs and return the pink copy to the staff member. At the end of the school year each staff member will place their yellow and pink copies in a single sealed and signed envelope and submit to the principal. At the EOY, Ms.	N/A	Implemented

Principal Signature _____

Date _____

				<p>Lacy will submit the SFO report titled “Receiptee History Report” to Dr Borden-McCarter and he will store in a secure location. The final staff check out signature will be with Dr. Borden-McCarter who will verify all MTFs have been received.</p> <p>Dr. Borden-McCarter, principal, has recurring internal audit meetings scheduled for February 28, 2023, April 28, 2023, and June 30, 2023 to review all MTFs.</p>		
3.	<u>2023.03 Mismanagement of Disbursements</u>	<p>The recordkeeping staff should become familiar with the disbursement procedures as required by the APM. The principal should implement policies and procedures to ensure staff members obtain approval for expenditures prior to financially obligating the school. Recordkeeping staff should review invoices and statements for past due amounts and ensure that payments to vendors are made in a timely manner.</p>		<p>Dr. Borden-McCarter and Ms. Lacy Wallace have met to clarify the disbursement procedures and ensure that staff members receive expenditures form and gain written approval from Dr. Borden-McCarter regarding an estimate of expenditures. Ms. Lacy will verify if adequate funds are available and sign off before purchase orders or invoices are created. Once created, Ms. Lacy Wallace will ensure vendors are paid in a timely manner.</p> <p>Dr. Borden-McCarter, principal, has recurring internal audit meetings scheduled for February 28, 2023,</p>	N/A	Implemented

Principal Signature _____

Date _____

				April 28, 2023, and June 30, 2023 to review all record keeping issues.		
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Principal Signature _____

Date _____