


September 8, 2020

MEMORANDUM

To: Elizabeth Saunders, Ed. D, Instructional Director
Public Charter & Contract Schools

LaTanya Sothern, Principal
Excel Academy Public Charter School

From: Michele Winston, CPA, 
Director Internal Audit

Re: Financial Audit for February 1, 2019 to June 30, 2020

An audit was completed on the financial records of **Excel Academy Public Charter School** for the period February 1, 2019 to June 30, 2020. The audit indicates that the school's internal controls are strong but require some improvements to be in full compliance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As principal of the school, you will be responsible for preparing an action plan by October 8, 2020 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. A copy of your 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.

Enclosure

cc: Alvin Thornton, Ph. D., Chairman, Board of Education
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Christian Rhodes, Chief of Staff
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Helen Coley, Ed. D., Chief, School Support and Leadership
Loretta White-Khaalid, Executive Assistant, Public Charters and Contract Schools
Joeday Newsom, Esq., Ethics Compliance Officer
Suzann King, Esq., Executive Director, Board of Education
Janice Walters-Semple, CPA, Internal Audit Supervisor
Dan Reagan, Internal Auditor II

Internal Audit Report

**Excel Academy Public Charter School
Student Activity Funds**

For the Period Ended June 30, 2020

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Internal Audit Report
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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Excel Academy Public Charter School for the period February 1, 2019 to June 30, 2020. Excel Academy Public Charter School'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 findings:

- *Mismanagement of Disbursements;*
- *Year-End Monetary Transmittal Form Procedures Not Followed; and*
- *Fundraiser Forms Not Completed.*

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 deviations from the criteria described in the preceding paragraph, the SAF referred to above, was 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



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SUMMARY

The Internal Audit Department completed an audit of the student activity funds (SAF) for Excel Academy Public Charter School for the period February 1, 2019 to June 30, 2020.

The audit and investigation indicate that the school's internal controls are strong but require some improvements to be in full compliance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

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 complies with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit 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 bank statements, financial reports, selected cancelled checks, and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff, for the period February 1, 2019 to June 30, 2020. In addition, selected 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

The following exceptions pertaining to the management of disbursements were identified:

- A. ***Purchase Not Properly Supported:*** A check to a vendor was supported by a price quote, instead of an itemized invoice.

- B. ***Sales Tax Exemption Certificate Not Used:*** A payment to a vendor was made without using the school's sales tax exemption certificate, which resulted in payment of \$30.11 in sales tax.

The APM provides the following guidelines for administering cash disbursements:

- A. Section 4.5.3, *Cash Disbursements*, states that all checks must have itemized documentation attached to the School Funds Expenditure Form (SFEF) that supports the amount of the check. Examples of supporting documents are cash register receipts, invoices, bills of sale, etc. Examples of documents that are not itemized invoices or receipts include credit card receipts, statements, order confirmations, price quotes and packing slips.

- B. The APM, Section 8.3, *Sales Tax Procedures*, states that purchases made by schools and PGCPs are tax-exempt, if used in the conduct of school business. After the principal pre-approves a SFEF, a copy of the sales tax exemption certificate should be presented to the vendor when making the school purchase.

In both instances, the financial recordkeeping staff stated that the errors were oversights of financial procedures. Reportedly, the quote was inadvertently used during the pre-approval process instead of the final invoice. In addition, the school staff forgot to use the sales tax exemption certificate in that one instance.

Inadequate management of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Specifically, the use of price quotes may lead to incorrect payments to vendors. The failure to use the sales tax exemption resulted in the school overpayment of **\$30.11** in sales tax for t-shirts.

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Recommendation: The following steps are recommended to ensure proper management of disbursements:

- A. The financial recordkeeping staff should carefully review each school expenditure to ensure that they are properly supported.
- B. The recordkeeping staff must ensure that the school's tax-exemption certificate is always used to eliminate unnecessary cost to the school.

2021.02 Year-End Monetary Transmittal Form Procedures Not Followed

The following exceptions pertaining to the end-of-year MTF procedures were identified:

- A. ***Missing Monetary Transfer Form Remittances:*** An employees' end of year MTF envelope for SY 2018-2019 could not be located for review (3 MTFs, totaling \$4,253.73).
- B. ***No Signatures on Envelopes:*** The 3 MTF envelopes reviewed did not have the staff members' signatures over the seal.

The APM, Section 4.5.2.2, *Cash Receipts: General Policies*, requires the pink MTF remittance copies to be retained by the preparer. The white and yellow MTF remittance copies are submitted to the bookkeeper with remitted funds. After approving MTFs, the bookkeeper returns yellow MTF remittance copies to the originator. Prior to departing the school at year-end, faculty and program managers seal envelopes containing yellow and pink remittance copies of MTFs (with their signature over the seal) and submit them to the designated administrator. The bookkeeper will print the SFO "Receiptee History" Report and submit it to the designated administrator. This alerts the administrator which MTF envelope packages to expect.

The staff member was unable to find her MTFs at the end of the 2018-2019 year. Due to the departure of the principal, the staff member was given additional duties in the front office during the end of the 2018-2019 school year, which resulted in some disorganization.

The financial recordkeeping staff was unaware that signatures needed to be included over the MTF envelope seal by staff members. As such, staff members had not been made aware.

The year-end MTF submission process did not comply with BOE policies and procedures and increases financial risk to the school. The audit trail for ensuring that SAF collected were subsequently remitted and deposited was compromised.

Recommendation: The principal and financial recordkeeping staff should provide training to staff to ensure that MTF remittance copies are properly maintained throughout the year. In addition, staff members should be instructed to sign over the seals of their MTF envelopes each

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year upon submission and ensure that MTF envelopes are submitted to the designated administrator.

2021.03 Fundraiser Forms Not Completed

The school conducted 2 fundraisers during the audit period. Fundraiser Completion Reports, and annual reports summarizing fundraising activities have not been completed during the audit period.

The APM, Section 7.2.2, *Fundraising Procedures*, states ... At the conclusion of all fundraisers, a Fundraiser Completion Report must be prepared by the fundraising sponsor. Additionally, the principal should prepare an annual report summarizing all fundraising activities concluded during the year. The data in this annual report should be available for review by parents, other interested members of the community, and include the net amount retained as profit from each fundraising activity.

The financial recordkeeping staff became aware of the requirement for completion of fundraising forms during the previous audit. However, only Fundraiser Authorization Forms, which were not required for the two school-wide fundraisers were completed. The requirement for Completion Reports and annual fundraising summaries was overlooked.

Failure to complete fundraiser forms constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. It decreases transparency of fundraising activities and the associated profits to interested parents and community members. Further, Fundraiser Completion Reports bolster the budgeting process which can ensure optimal performance by each fundraiser. *(This condition also noted in previous audit as of January 31, 2019)*

Recommendation: The principal and financial recordkeeping staff should document and develop internal controls for fundraising. The controls should include specific responsibilities for the staff, financial recordkeeping staff and principal. A review should be completed each year to ensure that all required fundraiser forms including the Fundraiser Completion Reports and annual reports summarizing fundraising activities are completed and retained.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for **Excel Academy Public Charter School** was issued for the period ended **January 31, 2019**. There were 4 findings noted in that audit and 1 is repeated. The current principal's tenure began in July 2019. The financial recordkeeping staff has been in her current position during the entire audit period. The following findings were noted as a result of the last audit and the current status is indicated below.

- **Mismanagement of Funds Received** – Controls appear to be working.

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- **Lack of Pre-Approval for Disbursements** – Controls appear to be working.
- **Fundraiser Forms Not Completed** – Condition still exists. **See Finding 2021.03** regarding *Fundraiser Forms Not Completed*.
- **Club Budgets Not Developed** – Controls appear to be working.

ACKNOWLEDGEMENT

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

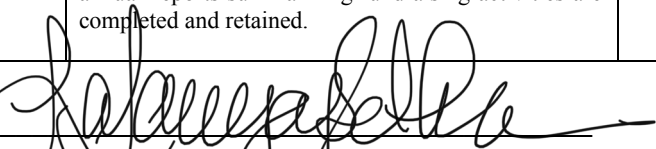
**Prince George's County Public Schools
Internal Audit Department
School/Office: EXCEL Academy PCS**

Response Date October 08, 2020

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	<u>Status</u> Implemented Partially Implemented Not Implemented
1.	<u>2021.01 Mismanagement of Disbursements</u>	<p>The following steps are recommended to ensure proper management of disbursements:</p> <p>A. The financial recordkeeping staff should carefully review each school expenditure to ensure that they are properly supported.</p> <p>B. The recordkeeping staff must ensure that the school's tax-exemption certificate is always used to eliminate unnecessary cost to the school.</p>	concur	The Principal will review and conduct periodic check-ins with the recordkeeper to ensure that the tax-exempt certificate is used with fidelity.	August - June 2020	Implemented, still in process
2.	<u>2021.02 Year-End Monetary Transmittal Form Procedures Not Followed</u>	The principal and financial recordkeeping staff should provide training to staff to ensure that MTF remittance copies are properly maintained throughout the year. In addition, staff members should be instructed to sign over the seals of their MTF envelopes each year upon submission and ensure that MTF envelopes are submitted to the designated administrator.	concur	The Principal and recordkeeper will review the procedure and implement a mid year and end of the year collection of MTFs from the staff.	August 18, 2020	Implemented
3.	<u>2021.03 Fundraiser Forms Not Completed</u>	The principal and financial recordkeeping staff should document and develop internal controls for fundraising. The controls should include specific responsibilities for the staff, financial recordkeeping staff and principal. A review should be completed each year to ensure that all required fundraiser forms including the Fundraiser Completion Reports and annual reports summarizing fundraising activities are completed and retained.	concur	The principal and recordkeeper will review the fundraising procedure together and implement accordingly. A fundraising chair will be named who will assume responsibility of the procedure's implementation as an additional check and balance.	August 18, 2020	Implemented

Principal Signature

Date



10/12/2020