



July 27, 2020

MEMORANDUM

To: Elizabeth Saunders, Instructional Director
Charter Schools

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

From: Michele Winston, CPA, Director 
Internal Audit

Re: Student Activity Funds Financial Audit as of June 30, 2020

An audit of the financial records **Imagine Foundations at Morningside Public Charter School** was completed for the period July 1, 2019 through June 30, 2020. 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 **August 27, 2020**, 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; and Joeday Newsom, Esq., Ethics Compliance Officer, email address: joeday.newsom@pgcps.org.

cc: Alvin Thornton, Ph. D., Board Chair
Monica Goldson, Ed. D., Chief Executive Officer of Schools
Members, Board of Education
Christian Rhodes, Chief of Staff
Helen Coley, Ed. D., Chief, School Support and Leadership
Loretta White-Khaalid, Executive Assistant, Charter Schools
Joeday Newsom, Esq., Ethics Compliance Officer
Robin Welsh, Director of Monitoring, Accountability and Compliance
Suzann King, Esq., Executive Director, Board of Education
Janice Walters-Semple, CPA, Supervisor Internal Audit
Alicia Robinson, Internal Auditor II

Internal Audit Report

Imagine Foundations at
Morningside Public Charter
Student Activity Funds

For the Period Ended June 30, 2020

**Imagine Foundations at Morningside Public Charter School
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2020**

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Imagine Foundations at Morningside Public Charter School
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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Imagine Foundations at Morningside Public Charter School for the period July 1, 2019 to June 30, 2020. Imagine Foundations at Morningside Public Charter School 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:

- *Prohibited Fundraiser*
- *Restricted Account Deficits*
- *Administration of Voided Checks*

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, 2020.

Michele Winston, CPA 
Director, Internal Audit

**Imagine Foundations at Morningside Public Charter School
Student Activity Funds
Internal Audit Report
For Period Ended June 30, 2020**

SUMMARY

The Internal Audit Department has completed an audit of the student activity funds (SAF) for Imagine Foundations at Morningside Public Charter School for the period July 1, 2019 to June 30, 2020. The audit was conducted as part of the annual audit plan.

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, 2019 to June 30, 2020. Also, available 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 Prohibited Fundraiser

A committee of teachers established the Economic Sustainability restricted fund account to raise funds for various student activities. A bingo fundraiser was held January 23, 2020 for the Economic Sustainability restricted fund account contrary to the fundraising requirements of the APM. Proceeds from the bingo fundraiser totaled \$201.00.

The APM, Section 7.2.3, *Fundraiser Activities* indicates that schools are prohibited from holding certain fundraising activities that include bingos and similar activities such as, gambling, lotteries, raffles, etc.

The principal, fundraiser sponsors and recordkeeping staff were not aware that bingos were prohibited fundraising activity. The APM was not reviewed to ensure compliance with the fundraising policy relative to prohibited fundraisers. BOE policies are compromised when inappropriate fundraisers are conducted.

Recommendation: The principal must establish procedures that ensure all fundraising sponsors follow the established policies and procedures outlined in the APM relative to administering fundraisers. The principal, fundraiser sponsors and the recordkeeping staff must make an effort to read and follow the guidelines in the APM for administering fundraisers.

2021.02 Restricted Account Deficits

There were **3** restricted fund accounts where deficits existed as of June 30, 2020. The following summarizes those accounts:

• 310.00 8 th Grade	(\$1,826.57)
• 311.00 Basketball	(\$ 813.50)
• <u>420.25 5th Grade Fieldtrip</u>	<u>(\$ 411.96)</u>
Total	(\$2,769.07)

According to the APM, expenditures for all restricted accounts are limited to the amount of funds collected for those activities. When restricted accounts exceed the available cash in those accounts, the accounts are insolvent. As the fiduciary agent for the SAF, the principal is required to ensure that restricted accounts are always solvent.

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The following causes contributed to the deficits:

- The 311.00, Basketball fund account deficit was created by a fraud perpetrated by one of the former basketball coaches in FY 2018. The deficit resulting from the fraud was **(\$958.39)** as of June 30, 2018. The deficit still exists but was reduced in FY 2019 due to donations to the program.
- The 310.00, 8th Grade fund account deficit occurred due to insufficient funds collected in the previous year for grade activities.
- The 420.25 and 420.35, 5th Grade Fieldtrip fund account deficit exists due to the Camp Schmidt and other fieldtrips where the anticipated number of students did not participate after the cost was predetermined.
- The school is a charter school and they are required to use chartered buses instead of school buses for fieldtrips resulting in higher costs.
- The principal failed to contact Accounting and Financial Reporting Office for guidance on resolving the restricted account deficits from FY 2018. The principal thought that she had sent the request for the account deficits, but it was for another matter relating to the school.

Overspending in restricted accounts results in insufficient funds being available to administer student activities.

Recommendation: The principal should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted account deficits that existed from FY 2018 basketball fraud and remedy the deficits to the 8th Grade fund account and 5th Grade Fieldtrips fund account.

2021.03 Administration of Voided Checks

There were **2** instances of non-compliance regarding the administration of voided checks. The following indicates the instances of non-compliance:

- A. ***Voided Check not Entered in SFO:*** There was 1 instance where voided check #1411 was not properly voided in the school's accounting system. The recordkeeping staff indicated "Void" on the payee line of the check. The check was then reconciled during the January 2020 reconciliation process as being cashed instead of voided.

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B. **Voided Check not Located:** There was 1 instance where voided check #1413 could not be located.

The APM, section 4.5.3.2, Policies and Procedures, *Voiding Checks* requires accounting for physical checks (in SFO) when errors are made at the time of preparation or when checks are damaged. The physical check must be filed in check number sequence with images of cancelled checks.

The principal and recordkeeping staff failed to ensure that the voiding of checks was administered in compliance with BOE policies and procedures. Even though the recordkeeping staff contacted TRA School Software Solutions for guidance, the process was not followed to ensure that the check was properly voided in SFO. Also, the recordkeeping staff could not explain why the other voided check could not be located.

Inappropriate administration of checks exposes the school to check fraud, and waste and abuse of its resources. Internal controls are compromised when voided checks are not properly documented in SFO and retained for supervisory and audit review.

Recommendations: The principal should complete a periodic review of voided checks to ensure that the voided check process is in compliance with BOE policies and procedures. The recordkeeping staff should ensure that all voided checks are entered into the school's accounting system and retained as required by the APM.

STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Imagine Foundations at Morningside Public School was issued for the period ended June 30, 2019. The current principal and recordkeeping staff were on staff during that audit. There were 2 findings noted as a result of that audit. **One** finding still exists and both are summarized below.

- **Disbursements Issued Without Documented Pre-Approval** – Controls appear to be working.
- **Restricted Account Deficits** – Condition still exists. **See Finding 2021.02** regarding *Restricted Account Deficits*.

ACKNOWLEDGEMENT

We would like to thank the principal and staff of Imagine Foundations at 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 August 27, 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 Prohibited Fundraiser</u>	The principal must establish procedures that ensure all fundraising sponsors follow the established policies and procedures outlined in the APM relative to administering fundraisers. The principal, fundraiser sponsors and the recordkeeping staff must make an effort to read and follow the guidelines in the APM for administering fundraisers.	Concur	The principal, assistant principals, and bookkeeper reviewed the ACCOUNTING PROCEDURES MANUAL for SCHOOL ACTIVITY FUNDS (SAF) Fundraising section. We now have a clear understanding of what is approved and prohibited fundraisers. A copy of the manual was sent by the principal to the bookkeeper and assistant principals.	7/31/2020	Fully implemented
2.	<u>2021.02 Restricted Account Deficits</u>	The principal should contact the Accounting and Financial Reporting Office for guidance on resolving the restricted account deficits that existed from FY 2018 basketball fraud and remedy the deficits to the 8 th Grade fund	Concur	The principal sent an email to Ms. Pamela Hay, detailing the reasons for the account deficits and requesting to clear the deficits. Ms. Alicia Robinson and our bookkeeper, Ms. Lori Adams were carbon copied on the email to Ms. Hay.	7/31/2020	Fully implemented

Principal Signature Jessica Johnson

Date 8/5/2020

		account and 5 th Grade Fieldtrips fund account.				
3.	<u>2021.03</u> <u>Administration of</u> <u>Voided Checks</u>	The principal should complete a periodic review of voided checks to ensure that the voided check process is in compliance with BOE policies and procedures. The recordkeeping staff should ensure that all voided checks are entered into the school's accounting system and retained as required by the APM.	Concur	Bookkeeper will retain all copies of voided checks. Principal will review copies of voided checks quarterly.	7/31/2020	Fully Implemented

Principal Signature Jessica Johnson

Date 8/5/2020