

December 15, 2021

**MEMORANDUM**

To: Elizabeth Saunders, Ed. D., Instructional Director  
Cluster 12

Sherilyn Reid -Williams, Principal  
Imagine Foundations at Leeland Public Charter School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for the Period November 1, 2019 through September 30, 2021

An audit of the financial records of **Imagine Foundations at Leeland Public Charter School** was completed for the period November 1, 2019 through September 30, 2021. 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 Fund (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

As principal of the school, you will be responsible for preparing an action plan by **January 18, 2022** 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](mailto:internal.audit@pgcps.org). **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: [dany.washington@pgcps.org](mailto:dany.washington@pgcps.org), Joeday Newsom, Esq., Ethics Compliance Officer, email address: [joeday.newsom@pgcps.org](mailto:joeday.newsom@pgcps.org) and Katrina Greene, School Activity Funds Support Specialist, email address: [katrina.greene@pgcps.org](mailto:katrina.greene@pgcps.org).

Enclosure

cc: Juanita Miller, Ed. D., Board Chair  
Monica Goldson, Ed. D., Chief Executive Officer  
Members, Board of Education  
Mychael Dickerson, Chief of Staff  
Helen Coley, Ed. D., Chief of School Support and Leadership  
Michael Herbstman, Chief Financial Officer  
James Dougherty, Director, Financial Services  
Loretta White Khaalid, Executive Assistant, Charter Schools  
Joeday Newsom, Esq., Ethics Compliance Officer  
Katrina Greene, School Activity Funds Support Specialist  
Janice Walters-Semple, CPA, Internal Audit Supervisor  
Iyamide Chris Oduyoye, Internal Auditor II

**Internal Audit Report**

**Imagine Foundations at Leeland  
Public Charter School  
School Activity Funds**

**For the Period Ended September 30, 2021**

Imagine Foundations at Leeland, Public Charter Schools  
School Activity Funds  
Internal Audit Report  
For the period ended September 30, 2021

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Imagine Foundations at Leeland Public Charter School (PCS) for the period November 1, 2019 through September 30, 2021. Imagine Foundations at Leeland PCS' 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:

- *Mismanagement of Funds Received:*
- *Inadequate Supporting Documentation of Cash disbursements;*
- *Excessive Spending in Restricted Fund Accounts; and*
- *Delinquent Monthly Bank Reconciliations*

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 deviation from the criteria described in the preceding paragraph, the APM referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended September 30, 2021.



Michele Winston, CPA  
Director, Internal Audit

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**SUMMARY**

Internal Audit completed an audit of the school activity funds (SAF) for Imagine Foundations at Leeland PCS for the period November 1, 2019 through September 30, 2021. The audit was conducted as part of the department's 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 **4** findings which 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. 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 to determine 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 review of all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period November 1, 2019 through September 30, 2021. Also, selected 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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**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations:

**2022.01: Mismanagement of Funds Received**

The following exceptions pertaining to the management of funds received were identified:

- A. ***Delinquent Deposits:*** There were **3** instances where funds collected were not processed in a timely manner. The delinquency ranged from **3** to **32** days after the recordkeeping staff received the funds from staff members.
- B. ***Inadequate Documentation of Funds Received:*** There were **3** instances where funds received lacked adequate supporting documentation. The details to substantiate book fair collections were not on file in 2 of the instances. There was no detail to support the Chuck E. Cheese funds collected from a fundraiser in the third instance. The MTF was also not signed by the preparer or the bookkeeper in this instance.
- C. ***Year-End Monetary Transmittal Forms Submission Process:*** The Year-End MTF submission process was not followed as prescribed in the APM. There were **2** staff members that did not submit their year-end MTF envelopes as required. MTF envelopes returned were not properly sealed in **6** instances.

The following criteria is outlined in the APM regarding administration of funds received:

Section 4.5.2.2, *Cash Receipts, Procedures*

- A. All funds collected must be submitted to the bookkeeper on the day of collection along with a completed MTF. The bookkeeper must make deposits of all funds received at least every other day. However, no more than \$250.00 should be kept in the building overnight.
- B. Staff members collecting funds are required to complete a Monetary Transmittal Form accurately and submit it to the bookkeeper along with the funds collected. The MTF must be entirely completed with the following information: 1) The individual who collected funds, 2) date of collection, 3) from whom it was collected, 4) the amount and form of the collection, and 5) the purpose of the collection. If additional space is needed, a Student Remittance Report, excel spreadsheet, class list, or ticket/report stubs can be used as to substantiate collections.

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- C. Prior to departing at year-end, faculty and program managers are required to submit the pink and yellow copies of the MTF(s) in a sealed envelope (with their signature over the seal) to the designated administrator.

Reportedly, the recordkeeping staff was on approved leave on the days the deposits were delinquent and no one made the deposit in her absence. MTF envelopes were not submitted at the close of the school year as required by 2 teachers. An adequate explanation was not provided to substantiate the absence of adequate supporting documentation for collections in the 3 instances.

Delinquent deposits and inadequate documentation of funds received constitute non-compliance with BOE policies and procedures and increases the risk of loss to the school. The absence of supporting documentation also makes it impossible to verify whether all SAF collected were subsequently deposited. Improper administration of year-end MTF envelopes, removes the audit trail necessary to validate the accuracy of funds collected by staff members and processed by the recordkeeping staff.

**Recommendations:** The following steps must be taken to improve the management of collections:

- A. The principal should implement procedures to ensure that funds collected from staff are deposited at least every other day when the recordkeeping staff is on approved leave. The principal or another administrator should deposit funds with the financial institution.
- B. An adequate internal control process should be implemented that ensures each MTF that is submitted to the recordkeeping staff is adequately supported with the appropriate documentation, e.g., a description of funds collected and a book fair report that supports the collection.
- C. The principal should designate an administrator to collect MTF envelopes during the year-end closeout process. A concerted effort should be made to obtain and retain each MTF envelope for Internal Audit review.

**2022.02: Excessive Spending in Restricted Fund Accounts**

The following restricted fund accounts included deficits as of September 30, 2021 which aggregated to (\$3,286.51). The yearbook deficit was brought forward from the prior audit.

Account number	Account Name	Amount
318.00	8 <sup>th</sup> Grade dues	(\$ 2,106.36)

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480.00	Yearbook	(\$1,180.15)
	<b>Total Negative balances</b>	<b>(\$3,286.51)</b>

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

The recordkeeping staff is on extended leave and the principal was also on leave during Internal Audit's follow-up. As such, an adequate explanation was not obtained relative to the cause of the fund account deficits.

The risk of insolvency of the school increases when excessive spending occurs in restricted funds accounts. Also, students are not receiving the benefits from funds that should be available to them.

**Recommendations:** The principal should seek opportunities to eliminate the account deficits. The recordkeeping staff must always review account balances to ensure that sufficient funds are available prior to processing checks for payment. Further, all expenditures from these accounts must cease until the deficits are eliminated.

**2022.03: Inadequate Supporting Documentation of Disbursements**

There were **8** instances reviewed where cash disbursements were not supported with School Funds Expenditure Forms (SFEF). As such, evidence to substantiate the principal's approval of disbursements was not available. The cash disbursed were for refunds to students/parents in **7** instances. The MTF recording collection and justifying the refunds were not included to support the payments. Also, cancelled checks were not available to support the disbursements in **2** instances.

The APM, Section 4.5.3. Summary of Check Disbursement Procedures provides the following provisions pertaining to the management of disbursements:

- School Funds Expenditure Form is required to document all disbursements.
- The principal must pre-approve all expenditure requests by signing the School Funds Expenditure Form.
- All expenditures are to be adequately supported.

Reportedly, the recordkeeping staff noted that cancellation of school activities due to COVID 19 pandemic resulted in the school having to process refund checks to students/parents. Since the school was closed during this period, adequate documentation was not obtained and retained for school records.



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Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Inadequate documentation of disbursements removes evidence that transactions were properly approved and recorded and can result in inappropriate processing of financial transactions.

**Recommendations:** The principal and recordkeeping staff should implement internal controls over the processing of cash disbursements relative to refunds. Specifically, procedures must be established to address payments made in accordance with APM requirements.

**2022.04: Delinquent Monthly Bank Reconciliations**

There were **3** instances where monthly bank reconciliations reviewed were not prepared by the required date (15th day of the subsequent month). The noted bank reconciliations were completed 14 to 45 days delinquent.

According to the APM, Section 4.2.2, *Bank Account Procedures*, the principal should receive the bank statement unopened. After reviewing the statement and the cancelled checks, the principal should sign the bank statement and forward it to the bookkeeper. The bank account must be reconciled within 7 days of receipt of the bank statement. The principal is also required to conduct the review of bank reconciliations by the 15<sup>th</sup> day of each month.

According to the recordkeeping staff, these lapses were as a result of the COVID 19 school closure where electronic bank statements were not available.

Delinquent bank reconciliations impacts the timeliness and reliability of financial information used in the fiscal decision-making process. The principal's ability to promptly verify the school's solvency status and identify individual transactions may be impacted.

**Recommendations:** The principal must ensure the online school's bank statements are downloaded and made available to the recordkeeping staff to facilitate timely completion of monthly bank reconciliations.

The principal must hold the recordkeeping staff accountable for adhering to the monthly financial reporting deadline.

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Imagine Foundations at Leeland PCS was issued for the period ending October 31, 2019. There are 6 reportable conditions during that audit and 4 are repeated in the current audit. The principal and recordkeeping staff were on staff during the previous audit. The following findings were noted as a result of that audit and the current status is indicated:

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- ***Administration of Monthly Financial Reporting*** – Condition still exists. See **Finding 2022.04** regarding *Delinquent Monthly Bank Reconciliations*.
- ***Mismanagement of Funds Received*** – Condition partially exists. See **Finding 2022.01** regarding *Mismanagement of Funds Received: Delinquent Deposits*.
- ***Mismanagement of Disbursements*** – Condition partially exists. See **Finding 2022.03** regarding *Inadequate Supporting Documentation of Disbursements*.
- ***Year-End Monetary Transmittal Form Procedures Not Followed***. See **Finding 2022.01** regarding *Mismanagement of Funds Received*.
- ***Voided Checks Not Properly Administered Condition*** - Condition not reported during this audit.
- ***Fundraiser Forms Not Completed*** – Condition not reported during this audit.
- ***Failure to Maintain a Current Vending Machine Contract*** – Condition not reported during this audit.

**ACKNOWLEDGEMENT**

We would like to thank the principal and staff of Imagine Foundations at Leeland PCS for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools**  
**Internal Audit Department**  
**School/Office: Imagine Leeland PCS**  
**Response Date January 18, 2022**

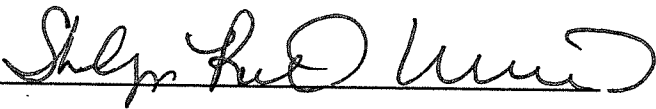
	<b>Findings</b>	<b>Recommendations</b>	<b>Concur Non-Conc ur Partially Concur</b>	<b>Action Plan</b>	<b>Corrective Action Date</b>	<b>Status Implemented Partially Implemented Not Implemented</b>
1.	<b><u>2022.01:</u></b> <b><u>Mismanagement</u></b> <b><u>of Funds</u></b> <b><u>Received</u></b>	<p>The following steps must be taken to improve the management of collections:</p> <p>A. The principal should implement procedures to ensure that funds collected from staff are deposited at least every other day when the recordkeeping staff is on approved leave. The principal or another administrator should deposit funds with the financial institution.</p> <p>B. An adequate internal control process should be implemented that ensures each MTF that is submitted to the recordkeeping staff is adequately supported with the appropriate documentation, e.g., a description of funds collected and a book fair report that supports the collection.</p> <p>C. The principal should designate an administrator to collect MTF envelopes during the year-end closeout process. A concerted effort should be made to obtain and retain each MTF envelope for Internal Audit review.</p>	<b>Concur</b>	<p>The principal will implement procedures (outlined within Staff Handbook; discussed during in-service week; develop a schedule based on funds collection times/dates) to ensure that funds collected from staff are deposited in a timely manner when recordkeepstaff is absent. A designee will be identified; Academic Facilitator.</p> <p>An adequate internal control process will be adopted/implemented that will ensure MTFs are submitted on time with all required documentation. Processes will be outlined and revisited with staff during in-service week/ staff meetings..</p>	Present - June 2022	<b>Implemented</b>

Principal Signature 

Date 1/18/2022

				Principal will identify Academic Facilitator to collect MTF envelopes as an end of the year close out activity.		
2.	<b><u>2022.02: Excessive Spending in Restricted Fund Accounts</u></b>	The principal should seek opportunities to eliminate the account deficits. The recordkeeping staff must always review account balances to ensure that sufficient funds are available prior to processing checks for payment. Further, all expenditures from these accounts must cease until the deficits are eliminated.	<b>Partially Concur</b>	All expenditures from this account will cease until the deficits are eliminated.  The recordkeeping will review account balances to ensure that sufficient funds are available prior to processing checks for payment.	Present - June 2022	<b>Partially Implemented</b>
3.	<b><u>2022.03: Inadequate Supporting Documentation of Disbursements</u></b>	The principal and recordkeeping staff should implement internal controls over the processing of cash disbursements relative to refunds. Specifically, procedures must be established to address payments made in accordance with APM requirements.	<b>Concur</b>	The principal and recording staff will implement internal controls over the processing of cash disbursements relative to funds. Procedures will be established to address payments made in accordance with APM requirements.	Present - June 2022	<b>Implemented</b>
4.	<b><u>2022.04: Delinquent Monthly Bank Reconciliations</u></b>	The principal must ensure the online school's bank statements are downloaded and made available to the recordkeeping staff to facilitate timely completion of monthly bank reconciliations.  The principal must hold the recordkeeping staff accountable for	<b>Concur</b>	The principal will hold the record keeping staff accountable for adhering to the monthly financial reporting deadline.	Present - June 2022	<b>Implemented</b>

Principal Signature



Date

1/18/22

		adhering to the monthly financial reporting deadline.				
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Principal Signature 

Date 4/18/22