



March 28, 2019

**MEMORANDUM**

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

Mehmet Gunes, Principal  
CMIT North Middle/High School

From: Michele Winston, CPA,  
Director Internal Audit

Re: Financial Audit for the Period September 1, 2017 through December 31, 2018

An audit was completed on the financial records of **Chesapeake Math and IT Academy North Middle/High School** for the period September 1, 2017 through December 31, 2018. 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 April 29, 2019 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, Attention: Jerry Chandler, Business Analyst, email address: [jerry.chandler@pgcps.org](mailto:jerry.chandler@pgcps.org). A copy of your action plan should also be forwarded to Deborah Smalls, Business Operations Technician, email address: [deborah.smalls@pgcps.org](mailto:deborah.smalls@pgcps.org).

Enclosure

cc: Alvin Thornton, Ph. D, Chairman of the Board of Education  
Monica Goldson, Ed. D, Interim Chief Executive Officer  
Members, Board of Education  
Christian Rhodes, Chief of Staff  
Helen Coley, Ed. D, Chief School Support and Leadership  
Michael Herbstman, Chief Financial Officer  
James Dougherty, Director, Financial Services  
Loretta White Khaalid, Charter School Liaison  
Joeday Newsom, Esq., Ethics Compliance Officer  
Theodore Dzodzomenyo, Internal Auditor II

# Internal Audit Report

Chesapeake Math & IT Academy - North  
Middle/High School  
Student Activity Funds

For the Period Ended December 31, 2018

Chesapeake Math and IT Academy - North Middle/High School  
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Internal Audit Report  
For the Period Ended December 31, 2018

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Chesapeake Math and IT (CMIT) North Middle/High School for the period September 1, 2017 through December 31, 2018. CMIT North Middle/High 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 Governmental Accountability Office 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:

- *Overpayment of Reimbursement*
- *Inaccurate Postings in School Funds Online (SFO)*
- *Inadequate Documentation of Funds Received*
- *End of Year Monetary Transmittal Form Envelope Submission Procedures Not Followed; and*
- *Delinquent Financial Reporting*

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 December 31, 2018.

Michele Winston, CPA  
Director, Internal Audit

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**SUMMARY**

The Internal Audit Department completed an audit on the student activity funds for CMIT North Middle/High School for the period September 1, 2017 through December 31, 2018. The audit was conducted as part of the audit plan for the year.

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 Accounting Procedures Manual for School Activity Funds 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 review of all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period September 2017 through December 2018. Also, 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:

**2019.01: Overpayment of Invoice**

There was **1** instance where *Staff Member A* was reimbursed **\$149.44** in excess of the invoice amount.

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.

The recordkeeping staff did not obtain the invoice prior to writing the check. The disbursement check was written based on the amount of the “Order” form, on which the postage charge was calculated based on two day delivery but the final invoice had regular postage charges. Also, the principal did not verify the supporting documentation to ensure its adequacy before the reimbursement check was signed.

There’s the potential for loss of school funds when disbursements are not made based on the appropriate supporting documentation.

**Recommendation:** The staff member must refund the **\$149.44** to the school. The payment must be documented separately on a MTF with a copy along with and any documentation to be forwarded to Internal Audit as soon as possible. Both the record keeping staff and principal must always review the supporting documentation to ensure that it is appropriate before checks are written.

**2019.02: Inaccurate Postings in School Funds Online (SFO)**

The recordkeeping staff wrote checks directly from Athletics-Non Sports Specific and Girls Basketball Allotment.

The APM, Section 4.3, *Fund Accounts*, states that, fund accounts are used to track financial activities related to specific events, activities and/or groups within the school. The use of fund accounts makes it possible to determine the amount of revenue and expenditure generated by individual groups and/or events within the school, and ultimately, how much money they have available. As a general rule, a fund should be established for each unique organization, activity or event that occurs in a school. Best financial practices therefore require that, checks are written and posted to the fund

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account that most adequately identifies the expenditure. For example, checks should not be directly written from Allotment, Donations and PY Carryover accounts since schools do not typically have expenditures related to these accounts.

The recordkeeping staff was not aware of this fund account guidance, relative to processing disbursements and was of the opinion that, since the expenditures made out of the allotment accounts were athletics related, the checks could be written directly from the allotment accounts.

Financial records are not accurately stated when expenditures are not recorded in the related accounts. Potential insolvency of accounts may not be readily detected and the audit trail is compromised.

**Recommendation:** The recordkeeping staff should always follow the APM procedures to post transactions only to the fund accounts established for those expenditures. Further, the principal and recordkeeping staff should restrict transactions for allotment accounts to journal entries intended to post appropriate transfers.

**2019.03: Inadequate Documentation of Funds Received:**

There were 4 instances where deposits made lacked adequate documentation. The staff members did include ticket reports to document how many tickets were sold at a sporting event and the cost per ticket in these instances.

Section 4.5.2.2, requires completion of MTFs with the following information: 1) individual collecting funds; 2) date of collection; 3) source of collected funds; 4) the amount and form of the collection; and 5) the purpose of collection. The exact composition of the funds and the total amount being remitted to the bookkeeper must be itemized on the MTF and the grand total on the MTF must agree with the total on the Student Remittance Report.

The staff members were not aware of the proper documentation requirement for ticket sales at sporting events. Also, the recordkeeping staff did not request the appropriate supporting documentation from staff members.

Lack of sufficient supporting documentation reduces the assurance that collections were recorded appropriately and in accordance with the prescribed policy. The audit trail for reviewing cash receipts was compromised. As a result, internal controls for ensuring that all SAF collected were subsequently deposited was weakened and the potential for loss of assets increased.

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**Recommendation:** Staff members must be reminded that, adequate supporting documentation should accompany funds remitted to the bookkeeper. Such documentation must include accounting for concessions and gate receipts e.g. documentation of the number of items sold and sale prices, and gate receipts report for sporting events. The documentation must match the amount remitted.

**2019.04: End of Year Monetary Transmittal Forms Envelope Submission Procedures Not Followed**

A total of **1** of the **5** staff members whose envelopes were reviewed did not submit any of the **5** MTF remittance copies for funds collected during the school year.

Section 4.5.2.2 of the APM, *MTF Procedures*, states that, the preparers of the form must retain the pink copy of the MTF. The white and yellow copies must be submitted to the Bookkeeper with cash. After approving a MTF, the Bookkeeper returns the yellow copy to the originator. Prior to departing at year-end, faculty and program managers are 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.

According to the recordkeeping staff, the staff member indicated that he had discarded the forms during the school year.

The audit trail for reviewing cash receipts was compromised. As a result, internal controls for ensuring that all SAF collected were subsequently deposited was weakened and the potential for loss of assets increased.

**Recommendation:** Staff members must be held accountable for following the APM and the instructions on the top of the MTF forms. The principal should ensure that staff collecting student activity funds are aware of their responsibilities relative to maintaining MTF documents.

**2019.05: Delinquent Financial Reporting**

There were **5** instances during the audit period, where monthly bank reconciliations were not completed timely by the bookkeeper.

According to the APM, the principal is responsible for receiving the bank statement unopened. After reviewing the statement and cancelled checks, the principal is required to forward the documents to the bookkeeper for reconciliation. The bank reconciliation should be completed by the bookkeeper within 7 days of receiving the statement from the bank. The monthly financial reporting process is required to be completed by the 15th day of each month and presented to the principal for review.



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The recordkeeping staff indicated that delinquent reconciliations were oversight in 4 instances. In the 5<sup>th</sup> instance, the recordkeeping staff was on vacation.

Delinquent reporting 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.

**Recommendation:** The bookkeeper should ensure that bank reconciliations are completed within 7 days of receiving the statement from the bank and that all financial reports are presented to the principal for review by the 15th day of each month. The principal should hold the bookkeeper accountable for timely report submission and perform thorough review of the monthly financial reports as evidenced by signature.

### **STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for CMIT North Middle/High School was issued for the period ended August 31, 2017. During that period, both the current principal and recordkeeping staff were in their current positions. There were 4 reported findings in the previous audit **none** of which are repeated in this current report. The following findings were noted as a result of that audit and the current status is indicated.

- **Comingling of Funds with Affiliated Organization (PTO)** – Condition was not noted during this audit.
- **Administration of Voided Checks** – Condition was not noted during this audit.
- **Fundraiser Forms** – Condition was not noted during this audit.
- **Delinquent payment of vendor invoices** – Condition was not noted during this audit.

### **ACKNOWLEDGEMENT**

We would like to thank the principal and staff of CMIT North Middle/High School for their cooperation and assistance extended during the audit.