


July 15, 2020

MEMORANDUM

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

Gordon Libby, Principal, College Park Academy PCS High School
Steven Baker, Principal, College Park Academy PCS Middle School

From: Michele Winston, CPA, Director 
Internal Audit

Re: Financial Audit for the Period March 1, 2017 through March 31, 2020

An audit was completed on the financial records of **College Park Academy Charter School** for the period March 1, 2017 through March 31, 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 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 **August 17, 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, at 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 Jodey Newsom, 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
Helen Coley, Ed. D, Chief School Support and Leadership
Michael Herbstman, Chief Financial Officer
James Dougherty, Director, Financial Services
Loretta White Khaalid, Executive Assistant, Charter Schools
Suzann King, Esq, Executive Director, Board of Education
Joeday Newsom, Esq, Ethics Compliance Officer
Robin Welsh, Director of Monitoring, Accountability and Compliance
Janice Walters-Semple, CPA, Supervisor, Internal Audit
Theodore Dzodzomenyo, Internal Auditor II

Internal Audit Report

**College Park Academy Public Charter School
Student Activity Funds**

For the Period Ended March 31, 2020

College Park Academy Public Charter
Student Activity Funds
Internal Audit Report
For the Period Ended March 31, 2020

Table of Contents

INTERNAL AUDITOR’S REPORT.....2
SUMMARY 3
OBJECTIVES 3
SCOPE 3
FINDINGS AND RECOMMENDATIONS..... 4
STATUS OF PRIOR AUDIT FINDINGS 9
ACKNOWLEDGEMENT 9

College Park Academy Public Charter
Student Activity Funds
Internal Audit Report
For the Period Ended March 31, 2020

Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of College Park Academy Public Charter for the period July 1, 2016 through March 31, 2020. College Park Academy Public Charter'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 Accounting 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;*
- *Mismanagement of Disbursements;*
- *Untimely Bank Reconciliations;*
- *Segregation of Duties; and*
- *Deficit in Restricted Accounts*

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 March 31, 2020

Michele Winston, CPA
Director, Internal Audit



College Park Academy Public Charter
Student Activity Funds
Internal Audit Report
For the Period Ended March 31, 2020

SUMMARY

The Internal Audit Department completed an audit on the student activity funds for College Park Academy Public Charter for the period March 1, 2017 through March 31, 2020. 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 March 1, 2017 through March 31, 2020. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

College Park Academy Public Charter
Student Activity Funds
Internal Audit Report
For the Period Ended March 31, 2020

FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2021.01 Mismanagement of Funds Received

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

- ***Delinquent Deposits:*** There were **8** instances where the funds received were not deposited timely. The delinquency ranged from **1 to 9** days after the initial collection by the staff member.
- ***Year-End Monetary Transmittal Form Processes:*** The year-end MTF submission process was not operating as required. There was 1 staff member selected who did not turn in their MTF envelope at the end of FY 2019. Almost all of the MTF envelopes submitted by the other staff members (not included in the sample) were opened or not sealed and signed by the staff members prior to the auditor accessing them.

The APM, Section 4.5.2.2, *Cash Receipts, Procedures* states that,

- All funds collected must be remitted 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.
- The pink copy of the MTF is retained by the preparer of the form. The white and yellow MTF remittances are submitted to the bookkeeper with collected funds. After approval, the bookkeeper returns the yellow MYF remittance to the originator. Prior to departing at year-end, staff members are required to submit the pink and yellow MTF remittances in a sealed envelope (with their signature over the seal) to the designated administrator. The bookkeeper prints the *SFO Receiptee History Report* and submits it to a designated administrator. This alerts the administrator, which MTF envelope packages to collect.

According to the recordkeeping staff, she makes every attempt to make daily deposits. However, it is sometimes impossible for her to find an hour to go the bank daily due to her workload.

Each staff member was sent an email instructing them that their envelopes needed to be sealed. However, not everyone followed the process as required.

Delinquent deposit of funds and noncompliance with the MTF envelope submission process constitute non-compliance with Board policies and procedures and increases the risk of loss. The audit trail for reviewing collections was compromised. As a result, internal controls for

College Park Academy Public Charter
Student Activity Funds
Internal Audit Report
For the Period Ended March 31, 2020

ensuring all SAF collected were subsequently deposited was weakened and the potential for loss of assets increased.

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

- A. The principal and recordkeeping staff should agree on a designated time during the day for deposits to be made with the financial institution. A night deposit may be considered by the school when the recordkeeping staff is unable to leave the building during school hours.
- B. Staff must be reminded of the MTF requirements and held accountable for returning MTF remittance copies in signed and sealed envelopes to the principal or a designated administrator as part of the year-end check-out process.

2021.02 Mismanagement of Disbursements

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

- ***Gift Card Purchase:*** There was **1** instance where a staff member was reimbursed for purchase of gift cards. The gift cards were presented as awards to students at a dance.
- ***Inadequate Approval of Expenditures:*** There were **2** instances where the principal's preapproval was not obtained prior to the school being obligated.
- ***Delinquent Payment of Invoices:*** There were **2** instances where payments were not made to the vendors timely. The delinquency was up to 180 days.

The APM, Section 4.5.3.1 provides the following provisions pertaining to the management of disbursements:

- Schools are prohibited from using gift cards as a form of payment, expenditure or award. This is akin to having a petty cash fund within the SAF, which is not authorized.
- Prior to ordering or purchasing goods or services, a School Funds Expenditure Form (SFEF) must be completed and signed by the principal. Schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete this form. The employee can be held personally liable for the obligation, if this procedure is not followed.
- Invoices are required to be paid within 30 days of receipt or by the stated due date. The principal should review open invoices and statements for past due amounts and ensure that payments are made in a timely manner.

College Park Academy Public Charter
Student Activity Funds
Internal Audit Report
For the Period Ended March 31, 2020

Reportedly, staff members are aware that the purchase and use of gift cards is not permitted. This instance was an oversight on the part of the administration to have reimbursed the staff member.

According to the recordkeeping staff, the administration has stressed to employees the importance of completing SFEF prior to making the purchases. However, on a few occasions, staff members did not follow the directives.

According to the recordkeeping staff, she pays the invoices once they are received by the school. However, some of the invoices were not received timely by the school.

The use of gift cards leads to significant internal control weaknesses that leave PGCPs vulnerable to questionable, improper and potentially fraudulent transactions and increases financial risk to the school and staff while lack of adequate approval can result in insolvent accounts. Also, failure to pay invoices promptly can result in late fees being assessed or even legal action being brought against the school. The school's financial statements are also overstated when outstanding invoices are not accounted for in the month that they were incurred.

Recommendation: The following steps must be taken to improve the administration of funds disbursed:

- A. The recordkeeping staff and principal should review all receipts submitted for reimbursements to ensure that all items on the receipt are allowable prior to the checks being signed. Staff members must be reminded that the purchase of gift cards is not permitted for student rewards or as incentives.
- B. The principal and recordkeeping staff should implement controls over the expenditure pre-approval process. Staff members must be held accountable for obtaining pre-approval of expenditures prior to obligating the school.
- C. The principal should implement internal controls to ensure that, the current recordkeeping staff maintains a file for invoices and inspect the file periodically for any past due payments.

2021.03 Untimely Reconciliations

There were 9 instances during the audit period where monthly bank reconciliations were not completed timely by the recordkeeping staff.

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 from receipt of the bank statement. Also, Section 5.2.1,

College Park Academy Public Charter
Student Activity Funds
Internal Audit Report
For the Period Ended March 31, 2020

Financial Reporting Requirements Procedures require that, the principal should receive the report Package from the bookkeeper by the 15th of each month.

There was staff turnover at the school and the Student Activity Fund Support Specialist was unable to timely reconcile the school's bank account. The Student Activity Fund Support Specialist was not immediately available to train the current recordkeeping on the financial reporting process which accounted for some of the delinquent bank reconciliations.

Delinquent reconciliations impact 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 current recordkeeping staff should ensure that the 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 recordkeeping staff accountable for timely report submission and perform thorough review of the monthly financial reports as evidenced by his signature.

2021.04 Segregation of Duties

During the audit period, the recordkeeping staff collected funds totaling **\$451.79** for yearbooks, Box Tops, Six Flags and Replacement for NSF Checks. The recordkeeping staff also recorded the collected funds on MTFs, recorded the transactions in SFO accounting system and deposited the funds with the financial institution. *(This condition was noted in the two previous audits of February 2017 and August 31, 2015.)*

Sound internal control practices prohibit any single individual from being solely responsible for maintaining records on resources that they have custody of, access to and/or authority over. Different individuals should be assigned the responsibilities of 1) authorizing transactions, 2) recording transactions and 3) maintaining the custody of the related assets. In simple terms, there should be "checks and balances." Segregation of duties ensures that staff does not have access to a potentially risky mix of functions.

Inadequate segregation of duties occurred at the school because there was no one else in the school building to complete the MTF during the summer months.

Internal controls are compromised when segregation of duties is inadequate, thereby increasing the risk of fraud.

Recommendation: The recordkeeping staff must discontinue the collection of funds irrespective of the time of the year. During the summer months, other school administrative staff, including the principals should originate accounting transactions by completing the MTF. The recordkeeping staff should only verify funds received along with MTF documentation.

College Park Academy Public Charter
Student Activity Funds
Internal Audit Report
For the Period Ended March 31, 2020

2021.05 Deficits in Restricted Accounts

The following restricted accounts had deficits as of March 31, 2020 which aggregated to approximately **(\$5,033.91)**.

<u>Account #</u>	<u>Account Description</u>	<u>Amount</u>
310.11	Class of 2021	(1,841.96)
420.15	8 th Grade Field Trips	(1,224.95)
440.00	PBIS	(1.82)
480.00	Yearbook	(1,813.01)
560.00	Library	(152.71)
Total		(5,033.91)

According to the APM, the principal as the fiduciary agent for the SAF, is required to ensure that all fund accounts are solvent at all times.

Fund account balances were not always monitored to ensure adequacy of funds prior to obligating the school. In addition, the previous administration ordered excessive number of yearbooks and was unable to sell a sufficient number to recover the cost.

Increasing deficits in restricted accounts could lead to insolvency of the school's SAF.

Recommendation: The principal should work towards elimination of all fund deficits. The school should liaise with the Accounting and Financial Reporting Office to determine how to resolve the deficits in the accounts. There should be no further expenditures from these fund accounts until the deficits are eliminated. SFEFs should be reviewed and availability of funds determined prior to approval of purchases. Staff members must be held accountable for compliance

College Park Academy Public Charter
Student Activity Funds
Internal Audit Report
For the Period Ended March 31, 2020

STATUS OF PRIOR YEAR FINDINGS

The previous audit report for College Park Academy Public Charter School was issued for the period ended February 28, 2017. The current principal was acting in this position at the time; however, the recordkeeping staff was not in her current position. The following 9 findings were noted as a result of the last audit of which 3 are repeated as indicated below.

- Mismanagement of funds Received - **Condition still exists. See finding 2020.01** regarding *Mismanagement of Funds Received*.
- Mismanagement of Disbursements - **Condition still exists. See finding 2020.02** regarding *Mismanagement of Disbursements*.
- Administration of Checks - Condition was not noted during this audit.
- Financial Reporting - Condition was not noted during this audit.
- Administration of the School's Bank Account - Condition was not noted during this audit.
- Fundraiser Forms - Condition was not noted during this audit.
- Restricted Account Deficits - **Condition still exists. See finding 2020.05** regarding *Deficits in restricted Account*.
- Students Charged for the Opportunity to Dress Out of Uniform - Condition was not noted during this audit.
- Non-Compliance with Administrative Procedure 3542.44 (Access and Sale of Competitive Foods of Minimal Value - Condition was not noted during this audit.

ACKNOWLEDGEMENT

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

**Prince George's County Public Schools
Internal Audit Department**

School/Office: College Park Academy

Response Date August 17, 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 Funds Received</u>	<p>A. The principal and recordkeeping staff should agree on a designated time during the day for deposits to be made with the financial institution. A night deposit may be considered by the school when the recordkeeping staff is unable to leave the building during school hours.</p> <p>B. Staff must be reminded of the MTF requirements and held accountable for returning MTF remittance copies in signed and sealed envelopes to the principal or a designated administrator as part of the year-end check-out process.</p>	Partially Concur	<p>A. School Business Accounting Technician (SBAT) will leave the building by 2:00 pm daily to complete daily deposits, if a deposit is necessary in order to comply with this recommendation.</p> <p>B. Staff will be trained yearly on MTF compliance during Pre-Service Week. Principals will ensure that MTFs are a part of the year-end check-out process for all staff members.</p>	8/1/2020	Implemented
2.	<u>2021:02 Management of Disbursements</u>	<p>A. The recordkeeping staff and principal should review all receipts submitted for reimbursements to ensure that all items on the receipt are allowable prior to the checks being signed. Staff members must be reminded that the purchase of gift cards is not permitted for student rewards or as incentives.</p> <p>B. The principal and recordkeeping staff should implement controls over the expenditure pre-approval process. Staff members must be held</p>	Concur	<p>A. SBAT and principals will thoroughly review receipts to ensure that all items on the receipt are allowable prior to the checks being signed. Staff will be trained on allowable purchases during pre-service week.</p> <p>B. All staff members must receive documents pre-approval by</p>	8/1/2020	Implemented

Principal Signature _____



Date _____

8/5/2020

		<p>accountable for obtaining pre-approval of expenditures prior to obligating the school.</p> <p>C. The principal should implement internal controls to ensure that, the current recordkeeping staff maintains a file for invoices and inspect the file periodically for any past due payments.</p>		<p>the principals prior to obligating the school. Staff will be trained on the pre-approval process during pre-service week.</p> <p>C. Principals and SBAT have established a file of invoices and principals will inspect the file monthly.</p>		
3.	<u>2021.03 Untimely Reconciliations</u>	The current recordkeeping staff should ensure that the 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 recordkeeping staff accountable for timely report submission and perform thorough review of the monthly financial reports as evidenced by his signature.	Concur	SBAT and Principals will ensure that the bank reconciliations are completed within 7 days of receiving the statement from the bank. Principals will review the financial reports each month by the 15th of each month. Principals will sign financial reports indicating we have held the recordkeeping staff accountable.	8/1/2020	Implemented
4.	<u>2021.04 Segregation of Duties</u>	The recordkeeping staff must discontinue the collection of funds irrespective of the time of the year. During the summer months, other school administrative staff, including the principals should originate accounting transactions by completing the MTF. The recordkeeping staff should only verify funds received along with MTF documentation.	Concur	SBAT will have staff collect funds, and originate accounting transactions by completing the MTF. SBAT will only verify funds received along with the MTF documentation.	8/1/2020	Implemented
5.	<u>2021.05 Deficits in Restricted Accounts</u>	The principal should work towards elimination of all fund deficits. The school should liaise with the Accounting and Financial Reporting Office to determine how to resolve the deficits in the accounts. There should be no further expenditures from these fund accounts until the deficits are eliminated. SFEFs should be	Concur	The principals will work to eliminate all fund deficits. College Park Academy will work with the Accounting and Financial Reporting Office to determine how to resolve the deficits in the accounts. There will be no	8/1/2020	Implemented.

Principal Signature 

Date 8/5/2020

		reviewed and availability of funds determined prior to approval of purchases. Staff members must be held accountable for compliance		additional expenditures from these fund accounts until the deficits are eliminated. School funds will always be reviewed before approval of purchases. Staff members will be trained on this during pre-service week and will be held accountable.		
--	--	---	--	--	--	--

Principal Signature 

Date 8/5/2020