

FREDERICK COUNTY PUBLIC SCHOOLS
Frederick, Maryland

FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
Frederick Classical Charter School
For the period July 1, 2017 through June 30, 2021
Report #FCPS/22-01



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

**FREDERICK COUNTY PUBLIC SCHOOLS
FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
TABLE OF CONTENTS**

INDEPENDENT AUDITORS' REPORT AND EXECUTIVE SUMMARY	1
BACKGROUND	3
OBJECTIVES, SCOPE, AND METHODOLOGY	3
FINDINGS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES	13



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT AND EXECUTIVE SUMMARY

Interagency Internal Audit Authority
Frederick County, Maryland

Frederick County Government Interagency Internal Audit Authority (IIAA) engaged CliftonLarsonAllen LLP (CLA) to conduct a performance audit of Frederick Classical Charter School (FCCS). Our audit scope covered the period of July 1, 2016, through June 30, 2021. We conducted our audit in accordance with *Governmental Auditing Standards* issued by the Comptroller General of the United States.

Our audit objectives are to evaluate the accounting, financial reporting, and compliance with guidelines established by FCPS.

We reviewed FCCS Charter, *Accounting and Financial Report Requirement for Charter Schools*, and FCCS's Bylaws. The audit scope focused on accounting and financial reporting matters, and this performance audit did not consider other areas such as instruction, curriculum, enrollment, or personnel.

FCCS has received annual financial statement audits by an external independent auditor. Additionally, FCCS has submitted the annual IRS Form 990. FCCS posts these documents on their website. (<https://frederickclassicalcharterschool.org/finances>)

FCCS uses QuickBooks for recording all financial transactions for the school. We obtained the complete QuickBooks files for the timeframe under audit and verified that they supported the audited financial statements issued by independent auditors. We analyzed the detailed audited data to identify transactions to perform procedures to test compliance with the procurement and contracting practices required by FCPS, state, and Federal regulations, as required.

We focused on revenues and expenses under the management of FCCS. We used a risk-based approach to testing focusing on transactions that were either significant or, in our judgment, should be considered for appropriateness and compliance with FCPS regulations.

Interagency Internal Audit Authority
Frederick County, Maryland

A summary of findings is as follows:

Finding #	Area	Finding
1	Conflict of Interest Incomplete	FCCS has an annual form to be completed by key employees and trustees. The testing revealed that approximately 23 forms were missing from 2017 to 2020, and for 2021, it appears FCCS received all the forms.
2	Incomplete Board Minutes	FCCS' Board of Trustees are missing the meeting minutes for 7 meetings during our testing period.

We included responses from FCCS after each finding in the findings, recommendations, and management's responses section.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
May 18, 2022

**FREDERICK COUNTY PUBLIC SCHOOLS
FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT**

BACKGROUND

Frederick Classical Charter School (FCCS) is a public charter school located in Frederick, Maryland, offering classical education to kindergarten through eighth grade. FCCS is one of three charter schools chartered by Frederick County Public Schools (FCPS). FCPS and FCCS executed the initial charter on April 6, 2011. The charter was updated May 24, 2017 and terminates on June 30, 2025. FCCS differs from the other two charter schools based on FCPS level of financial oversight. FCPS has complete financial and accounting oversight for the other two charter schools. FCCS is responsible for accounting, financial reporting, and compliance to guidelines established and provided by FCPS. FCCS is a 501(c)(3) organization designated by the Internal Revenue Service. The school must have a financial audit and file a Form 990, *Return of Organization Exempt from Income Tax*, annually.

FCCS is a nonprofit organization operating under a set of by-laws executed by a Board of Trustees to provide oversight and strategic direction for the school. The Board of Trustees meets regularly and includes open time for public comments.

FCPS pays FCCS an amount of county, state, and federal money commensurate with the amount disbursed to the other public schools in the local jurisdiction. FCPS allocates funding on a per-pupil basis for student enrollment at FCCS, and FCPS distributes this funding to FCCS after payroll and benefits costs are withheld.

FCCS' highest operating cost is payroll and benefits. The FCCS personnel are FCPS employees and are afforded all rights by law and in the respective collective bargaining agreements. FCPS pays FCCS personnel using FCPS's internal controls and payroll systems.

We discuss FCCS's other financial transactions throughout this report.

OBJECTIVES, SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) established by the U.S. Government Accountability Office (GAO). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. Because of the inherent limitations, a performance audit made for the limited purposes of our review would not necessarily disclose all weaknesses related to the FCCS's compliance.

The objectives of the audit are as follows:

1. Gain an understanding of the Charter and Accounting and Financial Reporting Requirements for Charter Schools as set forth by FCPS.
2. Determine if FCCS has complied with the Charter as it relates to finance as well as the Accounting and Financial Reporting Requirements set forth by FCPS, including the FCPS Cash Disbursement Guidelines.
3. Determine if FCCS has complied specifically with procurement and contracting practices as required by FCPS, state, and federal regulations.

**FREDERICK COUNTY PUBLIC SCHOOLS
FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT**

Our methodology and scope consisted of:

1. Reading the Charter and Accounting and Financial Report Requirement for Charter Schools.
2. Reading FCCS meetings minutes for FY17 through FY21.
3. Reading and evaluating the annual audited financial statements for fiscal years FY17 through FY21.
4. Reading and evaluating the annual federal 990 for fiscal years FY17 through FY21.
5. Performed cash disbursement testing on a sample basis under a risk-based approach for FY17 through FY21. Disbursement testing focused on the following areas:
 - Reimbursements and refunds,
 - Procurement and contracting regulations,
 - Professional fees,
 - Board, employee, and board or employee relative payments or payments to entities owned by board members, employees or relatives of board members or employees.
6. Performed cash receipts testing under a risk-based approach for fiscal years FY17 through FY21.
7. Performed testing on the FCCS bank accounts with a specific focus on the following:
 - Signatures and approvals,
 - Bank confirmations of all accounts in existence with the FCCS name or subnames,
 - General confirmations and bank reconciliation testing.

Charter and Accounting and Financial Report Requirements for Charter Schools

We obtained the *Charter and Accounting and Financial Report Requirements for Charter Schools* set forth by Frederick County Public Schools. We read the document to understand the requirements and application to Frederick Classical Charter School. A few key requirements are as follows:

- Annual budget to be submitted to FCPS's CFO by August 15 each year.
- Equipment valued at \$5,000 or more or any sensitive item valued at \$300 or must be reported to FCPS's inventory accountant.
- School Activity Funds are to be accounted for separately and a schedule of receipts, disbursements, and ending balance to be provided to FCPS by July 31.
- An annual financial audit must be completed by an independent external auditor and submitted to the Executive Director of Fiscal Services by September 1 each year.
- Quarterly financial reports must be provided to the Budget and Finance Office by the last day of the month following a quarter end. (e.g., July 1 through September 30 is due by October 31)

**FREDERICK COUNTY PUBLIC SCHOOLS
FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT**

Annual Audited Financial Statements

We obtained and read the audited annual financial statement for June 30, 2017, 2018, 2019, 2020, and 2021. We did not identify any concerns within the financial statements, and we verified that the underlying accounting records supported the annual financial statement for each year without exception.

The independent auditor changed for fiscal year 2018. Prior to 2018, the auditor was the firm, Malvin, Riggins & Company, P.C. located in Baltimore, Maryland. Since the change, the auditor has been the firm K.L. Hoffman & Company, P.C. located in Baltimore, Maryland. K.L. Hoffman & Company, P.C. was established by one of Malvin, Riggins & Company's employees.

Annual Form 990

We obtained and read the annual Form 990 for 2016, 2017, 2018, 2019, and 2020. We did not identify any concerns within the Form 990, and we verified that the underlying accounting records supported the 990 for each year without exception.

Two trustees reported compensation from the organization on Part VII of Form 990. For trustee 1, management reported \$3,875 for compensation related to contractor work at the school in the fiscal year 2017. For trustee 2, management reported \$25,081, cumulative over fiscal years 2017-2020, for compensation related to the trustee's 50% ownership in a business that provides bookkeeping services to FCCS. The trustee disclosed the relationship on his conflict of interest form as discussed below. This activity is not unusual when reasonable compensation is provided to trustees for service rendered. These individuals were not employees of FCPS or FCCS.

The Form 990 for fiscal year 2021 has not completed as of the date of this report.

Governance

Conflict of Interest

We obtained the conflict of interest forms required by Board members from 2017 through 2021. We read the forms and noted one person disclosed they had a 50% ownership interest in a supplier to FCCS. Additionally, approximately 23 required forms were missing from 2017 to 2020. For 2021, it appears all the required forms were received. We noted this observation in the findings section of the report.

Meeting Minutes

We obtained and read the minutes of the Board of Trustees from August 17, 2016, through April 5, 2021. We read the minutes for discussion related fiscal matters. The minutes are publicly available on FCCS website. Over the audit period, approximately eleven meetings did not have minutes posted. We obtained four months (January, February, March, and April of 2021) of minutes from management not yet posted to the website. We did not receive minutes from seven meetings. We noted this observation in the findings section of the report.

**FREDERICK COUNTY PUBLIC SCHOOLS
FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT**

Financial Context and Key Observations

FCCS uses QuickBooks for recording all financial transactions for the school. As mentioned earlier, the QuickBooks files support the audited financial statements, and the financial auditors performed audit procedures on the data captured in the QuickBooks system. We analyzed this audited data to identify transactions to perform procedures to test compliance with the procurement and contracting practices required by Frederick County Public Schools, state and Federal regulations, as required.

- Obtained the general ledger file for the audit periods and performed the following:
 - A gap detection test on check numbers to ensure a complete population.
 - Analyzed total payments by vendors and reviewed for consistency between years and assessed if vendor met the procurement and contracting thresholds.
 - Reviewed the payments made to ensure they were reasonable based on FCCS operations.
 - Performed Bedford's Analysis on the population to identify anomalies in the data set.
- Reviewed general ledger detail related to rent, occupancy costs, utilities, professional fees, insurance, supplies, advertising, and other expenses to gain an understanding and identify unusual purchases and inquired of management to obtain clarification and satisfaction transactions appeared reasonable for FCCS operation and did not violate FCPS regulations.

After these procedures and analysis of the QuickBooks files, the records appeared complete and well maintained. Additionally, FCCS posts its budget, audit report, monthly financial reports, and IRS Form 990 on its website.

Financial Overview

During our analysis, we focused on revenues and expenses under the management of FCCS. We used a risk-based approach to testing focusing on transactions that were either significant and/or in our judgement should be considered for appropriateness and compliance with FCPS regulations.

Revenue

Frederick County Public School provides funding per pupil to operate the school. Below is a table outlining the revenue by year.

	June 30,				
	2017	2018	2019	2020	2021
Per Pupil from FCPS	\$ 3,346,607	\$ 3,513,874	\$ 3,777,958	\$ 3,896,386	\$ 3,962,897
Public support	117,666	85,866	132,293	89,699	15,010
Other support	48,727	50,672	60,017	44,799	7,293
Grants from government agencies	-	-	-	-	117,131
Proceeds from legal settlement	-	-	662,740	-	-
Total revenues	<u>\$ 3,513,000</u>	<u>\$ 3,650,412</u>	<u>\$ 4,633,008</u>	<u>\$ 4,030,884</u>	<u>\$ 4,102,331</u>

Generally, FCPS distributes between 95.2% and 99.4% of FCCS's total operating revenues. In 2019 and 2021, FCCS received additional revenues related to a legal settlement with FCPS and a government grant, respectively. We confirmed payments from FCPS to FCCS without exception. FCCS received distributions net of payroll and benefit costs deposited into their bank account.

**FREDERICK COUNTY PUBLIC SCHOOLS
FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT**

The public support is donated professional services (on average 89.5%) and cash (on average 10.5%). Because management records the same amount for revenues and expenses, we did not evaluate the dollar value of the in-kind contributions recorded in public support for donated professional services.

In fiscal year 2021, FCCS received \$117,131 in government grants related to ESSER, CARES Act, and GEER funding. FCCS was required to submit grant eligible expenses to FCPS for reimbursement.

The other support is sales, rental income, and student activity fees.

Expenses

Below is a table outlining the expenses by year.

	June 30,				
	2017	2018	2019	2020	2021
Salaries and benefits	\$ 2,402,152	\$ 2,449,118	\$ 2,637,374	\$ 2,757,303	\$ 2,694,519
Rent	530,369	538,289	524,553	524,418	523,914
Occupancy costs	155,103	122,806	160,717	163,087	155,445
Utilities	27,448	27,821	29,754	24,733	20,818
Depreciation	73,687	75,418	68,101	72,303	68,576
Professional fees	153,655	173,940	234,027	184,350	88,593
Insurance	18,736	21,942	20,033	23,764	22,003
Supplies	70,479	61,839	110,452	101,568	202,170
Advertising	1,908	2,645	634	871	1,198
Other	26,171	37,940	35,585	17,506	91,232
Total expenses	<u>\$ 3,459,708</u>	<u>\$ 3,511,758</u>	<u>\$ 3,821,230</u>	<u>\$ 3,869,903</u>	<u>\$ 3,868,468</u>

Due to the nature of certain expenses, the following expenses have a lower inherent risk of not complying with the charter related to finance and the accounting and financial reporting requirements set forth by FCPS. We identified the expenses in FCCS general ledger, performed analytical procedures, and inquired with management to obtain a sufficient understanding to determine the costs were reasonable and complied with any applicable regulations.

These two broad cost classifications below, including depreciation expense, range between 89.5% and 92.2% of FCCS total expenses. The expense range for these expense classifications is \$3.3 million and \$3.7 million.

Salaries and Benefits

Generally, salaries and benefits range between 69.4% and 79.7% of FCCS's total expenses. Frederick County Public Schools pays the salaries and benefits and provides FCCS information to post a journal entry into the QuickBooks file. Frederick County Public Schools' payroll and benefit controls were not part of the scope of this engagement. Access to the funds and these controls are outside the control of FCCS management.

Rent, Occupancy Costs, and Utilities

Rent, occupancy costs, and utilities range between 18.1% and 20.6% of FCCS's total expenses. The school's located at 8445 Spires Way, Suite CC, Frederick, Maryland. Management signed the original lease on August 30, 2012, with term beginning July 1, 2013, for eight years with St. John's Properties. The lease includes a building, playground, and additional occupancy costs related to property maintenance. We reviewed the lease and verified payments were in accordance with the lease agreement without exception.

**FREDERICK COUNTY PUBLIC SCHOOLS
FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT**

Below is a table of occupancy costs. The largest category is grounds upkeep which FCCS pays to the landlord as part of the leasing arrangement and rental of a space for a playground. The remainder of each category is several smaller purchases with several vendors under any procurement thresholds.

	June 30,				
	2017	2018	2019	2020	2021
Grounds upkeep	\$ 77,866	\$ 60,401	\$ 69,169	\$ 78,680	\$ 60,188
Maintenance and repairs	20,168	14,306	41,313	35,661	24,529
Technology services	18,644	17,630	18,764	18,399	22,574
Office furnishings	924	3,421	5,389	728	-
Printing services	9,632	9,664	8,690	8,698	7,371
Professional technology services	13,030	2,679	3,261	6,397	5,425
Telephone and communications	14,452	13,928	13,542	13,757	32,221
Distance learning	-	-	-	-	838
Postage	372	667	501	767	2,299
Fuel	15	110	88	-	-
Total occupancy costs	\$ 155,103	\$ 122,806	\$ 160,717	\$ 163,087	\$ 155,445

The remaining expenses are not related to payroll, rent, occupancy costs, utilities, and depreciation. These cost classifications range between 3.4% and 8.2% of FCCS total expenses. The expense range for these expense classifications is \$117,294 and \$316,603.

We analyzed expenses by the vendor and considered procurement and contract regulations. We noted no vendors met the dollar threshold for procurement and contract regulations.

Professional Fees

Below is a table of professional fees. Management records donated professional services, in-kind contributions, as income and expenses in equal amounts required by accounting standards. Management discloses these services in the footnote of the financial statement.

In 2018 and 2019, legal fees increased due to a lawsuit with FCPS. The parties settled the matter, and FCCS received proceeds in 2019. Other professional services were under any procurement and contract regulations.

	June 30,				
	2017	2018	2019	2020	2021
Auditing and tax preparation	\$ 14,250	\$ 14,250	\$ 14,250	\$ 15,675	\$ 15,675
Legal	-	38,439	17,696	805	38,767
Warehouse service	3,128	3,473	3,259	3,525	3,622
Professional fees					
Donated professional services	103,394	79,411	124,561	81,837	8,563
Bookkeeping and accounting	6,638	11,449	10,977	7,983	3,299
Other	21,127	21,296	56,924	69,511	14,443
Subtotal	<u>131,159</u>	<u>112,156</u>	<u>192,462</u>	<u>159,331</u>	<u>26,305</u>
Retirement system administration	5,118	5,622	6,360	5,014	4,224
Total professional fees	\$ 153,655	\$ 173,940	\$ 234,027	\$ 184,350	\$ 88,593

**FREDERICK COUNTY PUBLIC SCHOOLS
FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT**

The table below details the vendors used for professional services and related expenses. FCPS provides warehouse services and charges FCCS.

	June 30,				
	2017	2018	2019	2020	2021
Auditing and tax preparation					
Malvin, Riggins & Company, P.C.	\$ 14,250	\$ 14,250	\$ -	\$ -	\$ -
K.L. Hoffman & Company, PC	-	-	14,250	15,675	15,675
	<u>14,250</u>	<u>14,250</u>	<u>14,250</u>	<u>15,675</u>	<u>15,675</u>
Legal					
Conrad O'Brien PC	-	38,439	17,696	-	-
Linowes and Blocher, LLP	-	-	-	805	-
Venable, LLP	-	-	-	-	11,761
Wilson Elser LLP	-	-	-	-	25,737
McCurdy, Dean & Graditor, LLC	-	-	-	-	1,269
	<u>-</u>	<u>38,439</u>	<u>17,696</u>	<u>805</u>	<u>38,767</u>
Bookkeeping and accounting					
Tim Summers	6,638	-	-	-	-
S&C Accounting, LLC	-	11,449	10,977	7,983	3,299
	<u>6,638</u>	<u>11,449</u>	<u>10,977</u>	<u>7,983</u>	<u>3,299</u>
Other					
Pamella Sirtautas (Cleaning)	-	13,197	14,710	12,200	-
Musical Artisanships, LLC	-	-	12,000	12,000	-
William Jackson (Math Consultant)	-	5,700	6,650	3,800	3,800
F&H Solutions Group, LLC	-	-	8,644	10,611	-
Jones Lang LaSalle America's, Inc.	-	-	-	15,186	-
Classical Academic Press	10,293	-	-		
PerformancePoint, LLC	-	-	-	8,010	2,000
Catherine A. Cullen, MSW	-	-	600	5,125	2,375
All Clean, Inc.	-	-	6,570	770	-
EduAnalytics, LLC	-	2,399	3,800	-	-
RENO Investment Group, LLC	5,674	-	-	-	-
Carol Tolman (Literacy Consultant)	3,000	-	-	-	-
Valerie Fell (Concert Planner)	2,160	-	-	-	-
Thomas Balch Parliamentarian	-	-	-	-	1,980
Maryland Nonprofits	-	-	1,750	-	-
The Word Woman, LLC	-	-	1,600	-	-
Election Buddy	-	-	-	-	1,495
Brenda Pauline Shockey (Professor)	-	-	-	1,200	-
Janet Bayer (Consultant)	-	-	-	-	500
Unleash the Beast	-	-	396	-	-
Allison Rizzo (Consultant)	-	-	204	-	-
Other	-	-	-	609	2,293
	<u>\$ 21,127</u>	<u>\$ 21,296</u>	<u>\$ 56,924</u>	<u>\$ 69,511</u>	<u>\$ 14,443</u>

**FREDERICK COUNTY PUBLIC SCHOOLS
FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT**

Donated services are listed by type.

Donated Services	June 30,				
	2017	2018	2019	2020	2021
Legal	\$ 25,000	\$ -	\$ 43,323	\$ -	\$ 2,500
Accounting	888	1,905	838	-	6,063
Nursing	77,506	77,506	80,400	81,837	-
	<u>\$ 103,394</u>	<u>\$ 79,411</u>	<u>\$ 124,561</u>	<u>\$ 81,837</u>	<u>\$ 8,563</u>

Supplies

Below is a table of supplies. Based on vendor analysis, supplies were under any procurement and contract regulations. Additionally, textbooks and instructional materials are exempted from these procurement and contract regulations. In fiscal year 2021, FCCS significantly increased spending on instruction materials, medical supplies, and computer-technology supplies to respond to COVID-19. Management submitted these expenses to FCPS for government grant funding.

	June 30,				
	2017	2018	2019	2020	2021
Text	\$ 21,394	\$ 18,261	\$ 23,620	\$ 63,286	\$ 73,282
Instruction materials	20,727	17,633	44,126	19,211	56,159
School	10,675	9,293	11,786	4,217	3,316
Testing	103	-	913	553	62
Library	5	349	-	694	-
Other supplies	3	1,303	7,104	3,071	1,541
Medical	404	589	117	284	35,655
Computer-technology	3,366	3,969	5,313	2,787	28,643
Maintenance	6,297	3,609	9,480	1,148	1,050
Custodial	7,505	6,833	7,993	6,317	2,462
Total supplies	<u>\$ 70,479</u>	<u>\$ 61,839</u>	<u>\$ 110,452</u>	<u>\$ 101,568</u>	<u>\$ 202,170</u>

Board, Employee, and Relatives

We identified six employees or board members receiving general disbursement checks in the system using data analysis techniques totaling \$17,714. All the payments appeared to be for reimbursement for items purchased for the school.

We noted a unique transaction on July 24, 2017, reimbursement to a board member for \$10,839 to purchase textbooks. The board member used their personal credit card to purchase books. We reviewed the support for the expenditure, which included an email from the Head of School requesting a board member's assistance as the expenditure was over for the \$5,000 spending limits set on the credit card. This transaction appeared to be the exception and not the standard operating procedure.

Deposit on 327 Ballenger Center Drive Property

During 2021, FCCS placed a deposit of \$225,000 to purchase a property at 327 Ballenger Center Drive. This deposit was capitalized as prepaid expense. As noted in the June 30, 2021 audited financial statements, FCCS cancelled the agreement to purchase the property. FCCS is expected to receive \$200,000 returned on the deposit.

**FREDERICK COUNTY PUBLIC SCHOOLS
FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT**

Reporting with FCPS

FCCS must submit several reports to FCPS, such as the annual budget, annual financial audit, and quarterly financial report. Based on inquiry with FCPS leadership, FCCS acceptability met these requirements. If FCCS was going to be late on a report, FCCS communicated in advance, and FCPS agreed to the new due date.

Bank Accounts and Credit Card

We selected eight bank reconciliations randomly from July 1, 2016, to June 30, 2021. On average, the bookkeeping firm reconciles the bank account in QuickBooks within five business days of month-end.

We inquired about who are the authorized signers on the bank account. FCCS maintains three authorized signers, the president, vice president, and treasurer. We selected a sample of cleared checks and examined the signature line for the names of either the president, vice president, or treasurer. The signatures were one of these three people, and the signatures appears to be consistent from check to check.

FCCS uses a credit card to make purchases. The bookkeeping firm reconciles the credit card activity with supporting documents upon receiving the credit card statement. The credit card has purchasing limits and internal controls to reduce the risk of misuse. Additionally, we examined the credit card service agreement searching for a credit card rewards program. FCCS's credit card provider begins to offer rebates after \$400,000 in qualifying transaction volume, and FCCS volume is well below this threshold and does not receive any rebates.

**FREDERICK COUNTY PUBLIC SCHOOLS
FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT**

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Finding No. 1 – Conflict of Interest Incomplete

FCCS's Bylaws states, "3.06 Conflict of Interest. In the event any Trustee or officer of the Corporation is or may be an officer, director, stockholder, employee, or has a financial interest in a corporation or other organization or entity with whom this Corporation shall enter into a contract or other transaction or shall directly or indirectly be a party to or have an interest in any contract or transaction of the Corporation, the Trustee or officer shall fully disclose such interest to the Board. After revealing any such interest, such member or officer shall abstain from voting on any question in reference to said contract or transaction. Subject to compliance with these requirements of disclosure, no contract or other transaction between this Corporation and any other corporation, partnership, individual or other business entity shall be affected by the fact that the member or officer of this Corporation has an interest in or is director or officer of such other corporation or other business entity, provided that such contract is negotiated on an arms length basis, its terms are commercially reasonable and it has been approved by a majority of disinterested Board members."

FCCS monitoring procedure disclosed on Schedule O of Form 990, states, "Form 990, Part VI, Line 12c - Explanation of Monitoring and Enforcement of Conflicts Officers, Directors, Trustees and Key Employees are expected to annually disclose conflicts of interest as part of routine business. Should something arise which would necessitate their recusal from Board votes/actions." FCCS has an annual form to be completed by key employees and trustees. The testing revealed that approximately 23 forms were missing from 2017 to 2020, and for 2021, it appears FCCS received all the forms.

We recommend creating a control activity, i.e., tracking log, to ensure completeness of the disclosure by tracking which forms were not received and following up at board meetings until all forms are received. After receiving all forms, the forms should be reviewed, summarized, and provided to other trustees to document appropriate enforcement and compliance in the board minutes.

Management's Response

Management concurs that all board members must submit annual conflict of interest disclosure statements. Although board members with conflicts submitted annual disclosures, those without conflicts must still document their status as well. For the fiscal year 2022, all board members have completed their disclosure statements. In addition, management has adopted a procedure of collecting disclosure statements from all board members the first month of each fiscal year to ensure compliance. For any given fiscal year, a board member joining the corporation after July 31st will be required to submit the conflict-of-interest disclosure statement prior to beginning their term of service. A log will be maintained to ensure completeness.

**FREDERICK COUNTY PUBLIC SCHOOLS
FREDERICK CLASSICAL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT**

Finding No. 2 – Incomplete Board Minutes

FCCS's Bylaw states, "Section 1. Books and Records. The Corporation shall keep correct and complete books and records of accounts, and shall also keep minutes of the proceedings of the Board of Trustees, Committees, and Meetings of the membership. It shall keep at its registered office, or Head of School office, a record of the name and address of the Members and the names and addresses of the Board of Trustees."

Generally, the FCCS Board of Trustees' follow the process recommend below, however, we were missing the meeting minutes for –

- July 27, 2016
- September 11, 2017
- September 25, 2017
- March 19, 2018
- October 11, 2018
- May 2021
- June 2021

We recommend that the secretary or secretary's designee draft the minutes of the board meetings shortly after the meeting and distribute them to the other trustees for review. The board of trustees should accept the minutes by vote at a future board meeting and enter them into the corporate records. This process should be timely to ensure the most accurate record.

Management's Response

Management concurs with the recommendation and notes the following:

- September 11, 2017, September 25, 2017: Draft minutes of the public meetings are available; however, Board of Trustee approval is absent from the corporation's record.
- March 19, 2018, October 11, 2018: Draft minutes of the Membership meetings are available; however, Board of Trustee approval is absent from the corporation's record.
- May, 2021: Draft minutes of the public meeting is available, however, Board of Trustee approval is absent from the corporation's record due to reconfiguration of board members.
- June, 2021: Draft minutes of the Board of Trustee election held at the Membership meeting is available, however, Board of Trustee approval is absent from the corporation's record.

Management has adopted a tracking log to ensure completeness. The Secretary is responsible for distributing draft minutes to board members as well as recording the date of approval to the log.