

February 4, 2019

**MEMORANDUM**

To: Charoscar Coleman, Ed. D, Instructional Director  
Cluster 10

Larry McRae, Ed. D, Principal  
Tall Oaks High School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for Period July 1, 2014 to September 30, 2018

An audit of the financial records of **Tall Oaks High School** was completed for the period July 1, 2014 to September 30, 2018. The audit results indicate 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 **March 4, 2019**, indicating steps that will be taken to ensure compliance with the Accounting Procedures Manual. 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).

cc: Alvin Thornton, Ph. D, Board Chair  
Monica Goldson, Ed. D, Interim Chief Executive Officer  
Members, Board of Education  
Christian Rhodes, Chief of Staff  
Carletta Marrow, Ed. D, Associate Superintendent, High Schools  
Helen Coley, Ed. D, Chief, School Support and Leadership  
J. Michael Dougherty, Director Financial Services  
Michael Herbstman, Chief Financial Officer  
Patrick Pope, Internal Auditor II

# Internal Audit Report

## Tall Oaks High School Student Activity Funds

For the Period Ended September 30, 2018

Tall Oaks High School  
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Internal Audit Report  
For the Period Ended September 30, 2018

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Internal Auditor's Report

We have examined the Student Activity Funds (SAF) of Tall Oaks High School for the period July 1, 2014 through September 30, 2018. Tall Oaks High School's principal is responsible for the administration of SAF. Our responsibility is to express an opinion based on our examination.

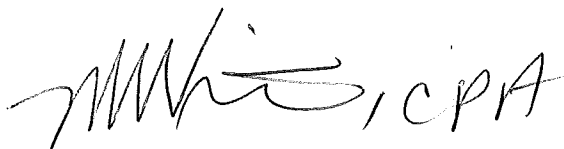
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Governmental Accountability Office and, accordingly, included examining, on a test basis, evidence supporting SAF, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination disclosed the following findings:

- Mismanagement of *Funds Received*,
- *Mismanagement of Disbursements*,
- *Missing Voided Checks, and*
- *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 deviations from the criteria described in the preceding paragraph, the SAF 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, 2018.



Michele Winston, CPA  
Director, Internal Audit

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**SUMMARY**

The Internal Audit Department completed an audit of the student activity funds (SAF) of Tall Oaks High School for the period July 1, 2014 through September 30, 2018. The audit was performed as part of the 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.

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 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 selected bank statements, financial reports, cancelled checks and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2014 through September 30, 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: Mismanagement of Funds Received**

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

- A. ***Missing Supporting Documentation*** - There were 2 instances where MTFs were not properly supported. Gate receipts for a basketball game were remitted without an attached mandatory ticket report. Proceeds from a SGA fundraiser were remitted without any supporting documentation in the other instance.
  
- B. ***Monetary Transmittal Form Log*** – The MTF log maintained during the audit period was incomplete. The log did not include a field that shows the dollar amount of the funds documented on MTFs.

The APM provides the following guidelines regarding the administration of funds received:

- A. The MTF must be completely filled out with the following information. 1) who collected the money; 2) when it was collected; 3) from whom it was collected; 4) the amount and form of the collection; and 5) the reason for collecting. If additional space is needed a Student Remittance Report, Excel spreadsheet, class list, receipts, or ticket/report stubs, can be used as an attachment.
  
- B. A MTF log is required to be maintained by the bookkeeper to include a numerical list of the MTFs, the name of the individuals and dates the forms were issued, the date returned to the bookkeeper, and the total amount of the MTF.

The recordkeeping staff accepted adequately supported MTFs from the staff. According to the athletic director, the form was completed and sent to the Office of Interscholastic Athletics, but it was not attached to the MTF. The recordkeeping staff was not aware that the dollar amount should be included on the MTF log.

Mismanagement of funds received constitutes non-compliance with BOE policies and procedures and increases financial risk to the school. Inadequately supported MTFs increase the risk of lost or stolen funds.

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**Recommendation:** The following is recommended for the principal and recordkeeping staff to properly manage funds received:

- A. Recordkeeping staff should ensure the MTF is properly completed and supported prior to acceptance.
- B. The MTF Log template should be modified to include a column for the dollar amounts of MTFs.

**2019.02: Mismanagement of Disbursements**

The audit revealed the following exceptions pertaining to the management of disbursements:

- A. *Inadequate Principal Approval* - There were **5** instances where School Funds Expenditure Forms (SFEFs) were not adequately approved by the principal. The expenditure was incurred prior to request for approval date.
- B. *Incomplete School Funds Expenditure Forms* - There were **16** instances where the principal did not sign and/or date SFEFs.

Prior to ordering or purchasing goods or services, a SFEF must be completed and signed by the principal. The recordkeeping staff determines if funds are available, initials, dates and records the amount available on the SFEF.

The principal failed to properly complete the SFEF by signing and dating the form as indicated. No explanation was provided for not properly completing the SFEF. Staff and sponsors were not held accountable for appropriately initiating expenditures.

Mismanagement of disbursements constitutes non-compliance with BOE policies and procedures and increases financial risk to the school and the staff. Specifically, schools and their SAF cannot be held liable for financial obligations made by staff if the individual fails to complete the SFEF and obtain pre-approval from the principal. The principal's failure to sign and/or date the SFEF may result in insufficient evidence in the event of a dispute.

**Recommendation:** The principal and recordkeeping staff must perform the following to improve the administration of disbursements:

- A. The principal and record keeping staff should improve current controls, to include staff training, to ensure written pre-approval precedes purchases. The principal must hold staff responsible for adhering to Board policies and procedures.

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- B. The principal must lead by example by ensuring that SFEFs are consistently signed and dated.

**2019.03 Missing Voided Checks**

There were 9 instances where voided checks could not be located for review.

According to the APM, all SAF records must be retained for a period of seven (7) years and/or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, banks statements, receipts, disbursement authorities, Monetary Transmittal Forms, School Funds Expenditure Forms, cancelled checks and contracts.

The current recordkeeping staff was unable to locate the voided checks for the years that preceded their arrival to Tall Oaks HS in July 2017.

Lost or misplaced documents constitute non-compliance with BOE policies and procedures. Documents are not readily accessible when needed to substantiate disbursement transactions or to make financial decisions.

**Recommendation:** The principal and recordkeeping staff should work towards organization of documents to ensure that future documents can be made available when needed. Like documents should be stored by year in binders and retained in accordance with requirements of the Accounting Procedures Manual.

**2019.04: Financial Reporting**

The following exceptions were noted relative to Tall Oaks High School's financial reporting process:

- ***Improper Transfers*** – There were 5 instances where the recordkeeping staff completed improper transfers. Specifically, a transfer was made from the account “Administrative Allotment” to the “Principal Sponsored Activities – Food” account. Accounting and Financial Reporting Office (AFRO) identified and corrected 4 of these transfer journal entries during the trimester review process.
- ***Review of Financial Reports*** - The principal failed to date the monthly financial report checklist/coversheet on all of the monthly financial reports reviewed during the scope of the audit to provide evidence of timely review.

The APM Section 4.5.4.2, *Transfers Between Restricted And Unrestricted/Net Accounts*, states transfers between restricted accounts are only authorized if reviewed and approved (including the date of approval) by the principal. The APM Section 9.1, *Administrative*



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*Allotment*, states that the administrative allotment cannot be transferred into a restricted account, nor be used for staff food, appreciation, clothing, gifts, etc.

The recordkeeping staff was not aware that transfers from the Administrative Allotment account to the Principal Sponsored Activities Fund Account were prohibited. The principal has failed to properly date documents reviewed relative to monthly reporting.

The principal's ability to promptly verify the school's solvency status may be impacted by the occurrence of improper transfers as the Accounting and Financial Reporting Office performs reviews following each trimester. Also, the audit trail to provide evidence that financial reports are reviewed as required is negated by exclusion of the date of review.

**Recommendation:** The recordkeeping staff must make transfers in accordance with procedures in the APM. The principal should ensure that all required documents are reviewed and signed and dated by documenting the date of review. Accounting and Financial Reporting should continue to review transfer journal entries for appropriateness and accuracy.

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

The previous audit report for Tall Oaks High School was issued for the period ended October 31, 2014. The current principal and recordkeeping staff were in their positions during the previous audit. There was **1** finding reported in the previous audit, which was repeated in this report. There were also **3** new findings noted during this audit period. The following finding was noted as a result of that audit and the current status is indicated below:

**Mismanagement of Disbursements** – Condition still exists. See **Finding 2019.02** regarding *Mismanagement of Disbursements*.

#### **ACKNOWLEDGEMENT**

We would like to thank the principal and staff of Tall Oaks High School for their cooperation and assistance during the audit.