



June 21, 2022

**MEMORANDUM**

To: Janice Briscoe, Ed. D., Instructional Director  
Cluster 13

John Brooks, Principal  
Tall Oaks High School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Student Activity Funds Financial Audit as of March 31, 2022

An audit of the financial records of **Tall Oaks High School** was completed for the period October 1, 2018 through March 31, 2022. 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 Funds (APM) and Board of Education policies and procedures. The exceptions noted are included in the attached report.

Although there were exceptions noted as a result of the audit, since Tall Oaks High School will be closed as of June 30, 2022, a response is not required.

cc: Juanita Miller, Ph. D., Board Chair  
Monica Goldson, Ed. D., Chief Executive Officer  
Members, Board of Education  
Mychael Dickerson, Chief of Staff  
Michael Herbtzman, Chief Financial Officer  
J. Michael Dougherty, CPA, Director, Financial Services  
Helen Coley, Ed. D., Chief of School Support and Leadership  
Carletta Marrow, Ed. D., Associate Superintendent for High Schools  
Joeday Newsom, Esq., Ethics Compliance Officer  
Robin Welsh, Director of Monitoring, Accountability and Compliance  
Katrina Greene, School Activity Fund Support Specialist  
Janice Walters-Semple, CPA, Director, Internal Audit  
Benjamin Hanks, Internal Auditor II

# Internal Audit Report

Tall Oaks High  
School Activity Funds

**For the Period Ended March 31, 2022**

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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Tall Oaks High School for the period October 1, 2018 to March 31, 2022. Tall Oaks High School's principal is responsible for the administration of the 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 findings:

- *Restricted Account Deficits*
- *Untimely Completion of Monthly Financial Reporting*
- *Mismanagement of Funds Received*
- *Mismanagement of Disbursements*
- *Mismanagement of Voided Checks; and*
- *Check Signers*

The findings resulted in a material deviation from Board of Education (BOE) policies and procedures and the requirements of the Accounting Procedures Manual for the School Activity Funds (APM).

In our opinion, considering the deviations from the criteria described in the preceding paragraph, the SAF referred to above has not been administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended March 31, 2022.



Michele Winston, CPA  
Director, Internal Audit

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**SUMMARY**

An audit of the school activity funds (SAF) for Tall Oaks High School was completed for the period October 1, 2018 to March 31, 2022. The audit was conducted 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.

This audit report includes **6** findings, **4** of 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. Because Tall Oaks High School will be closed as of June 30, 2022, corrective actions should take place for SAF transactions that might occur until final closing.

**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 examination of selected bank statements, financial reports, cancelled checks, all voided checks and Monetary Transmittal Form (MTF) envelopes submitted for the period October 1, 2018 to March 31, 2022. Also, available 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 Restricted Account Deficits**

There were **3** restricted accounts where deficits were identified as of March 31, 2022:

Account Number	Account Name	Account Balance
212.40	Boys Basketball Game Workers	(\$126.00)
304.71	Class of 2017-Dues	(\$275.41)
304.91	Class of 2019-Dues	(\$10.79)
Total		(\$412.20)

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

The deficits were created as follows:

Check #6681 was written for \$126.00 on March 30, 2022 and was drawn from account 212.40 Boys Basketball Game Workers. The SFEF for this expenditure incorrectly listed the amount of funds available as \$126.00. At the time the check was written the available balance in account 212.40 Boys Basketball Game Workers was \$0.00. The SFEF was approved, resulting in a deficit of (\$126.00) in the account. Recordkeeping staff consulted with the Accounting and Financial Reporting Office for guidance on funds transfers between accounts and how to fund a check from a specific account.

Check #6485 was written for \$344.26 on September 19, 2017 and was drawn from account 304.71 Class of 2017-Dues. The SFEF for this expenditure did not verify the amount of funds available. At the time the check was written the available balance in account 304.71 Class of 2017-Dues was \$54.13. The SFEF was approved, resulting in a deficit in the fund account. After a subsequent funds transfer of \$14.72 on January 29, 2020, the remaining deficit was (\$275.41).

Check #6577 was written for \$220.00 on November 15, 2019 and was drawn from accounts 304.91 Class of 2019-Dues and 304.92 Class of 2019-Fundraisers. The SFEF for this expenditure correctly listed the amount of funds available in account 304.91 Class of 2019-Dues as \$73.64 and in account 304.92 Class of 2019-Fundraisers as \$135.57. The SFEF

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was approved for a total check amount of \$220.00 with \$84.43 drawn from account 304.91 Class of 2019-Dues, resulting in a deficit of (\$10.76) in the account.

Overspending from restricted accounts constitutes noncompliance with the policy documented in the APM. The overspending represents improper management of SAF and non-compliance with APM procedures.

**Recommendation:** Tall Oaks High School will be closed as of June 30, 2022. The principal and recordkeeping staff should perform corrective actions for SAF transactions that might occur until final closing.

**2022.02 Untimely Completion of Monthly Financial Reporting**

There were 4 instances where monthly reporting was not completed by the recordkeeping staff and reviewed by the principal in a timely manner:

Month	Review Date	Days Late
March 2022	4/25/2022	10
September 2021	11/8/2021	24
December 2020	3/10/2021	54
November 2020	3/10/2021	85

According to APM section 5.1.2 *Monthly Reconciliation and Financial Reporting*, recordkeeping staff is required to complete the reconciliation within 7 days of receiving the bank statement. All financial reports should be completed by the 15<sup>th</sup> of each month and submitted to the principal for review and approval.

Recordkeeping staff completed monthly financial reports for March 2022 on April 14, 2022, and schools were closed on April 15 and 18 for Spring Break and Easter holidays. The principal's review was completed on April 25, 2022.

The school's current recordkeeping staff and principal were not on staff when financial reports for September 2021, December 2020, or November 2020 were completed, and a further cause for these months' financial reporting delays could not be determined.

The principal's fiscal responsibility is compromised when monthly financial reporting is not available and/or reviewed timely. The principal is unable to make informed fiscal decisions when monthly financial reporting is not available for review and approval.

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**Recommendation:** Tall Oaks High School will be closed as of June 30, 2022. The principal and recordkeeping staff should perform corrective actions for SAF transactions that might occur until final closing.

**2022.03 Mismanagement of Funds Received**

There were **16** instances of noncompliance regarding funds received:

- ***Deposits Recorded Inaccurately in Accounting System:*** there were **4** instances where deposits were made with MTFs and supporting documentation that did not match the details recorded in School Funds Online (SFO).
- ***MTF Signatures:*** there were **3** instances where MTFs were not properly signed by staff and approved by the bookkeeper.
- ***End-of-Year MTF Process:*** there were **5** instances where staff members' End-of-Year MTF envelopes were not sealed and not signed over the envelope seal.
- ***End-of-Year MTF Records Retention:*** there were **4** MTFs from **3** individuals that could not be located.

According to APM section 4.5.2.2 (2) *Collecting Funds: Completing the Monetary Transmittal Form (MTF)*, each MTF must be completed with who collected funds, when it was collected, from whom it was collected, the amount and form that was collected, and the reason it was collected. Recordkeeping staff is required to verify and ensure funds received total to the documentation attached to the MTF. Prior to departing at year-end, faculty and program managers are to submit their pink and yellow MTF remittance copies to a designated administrator in a signed and sealed envelope.

Recordkeeping staff joined the school in the current school year and was unfamiliar with the process to record deposits in SFO. Recordkeeping staff requested guidance from the Accounting and Financial Reporting Office when completing their first several MTFs and deposits. The school's current recordkeeping staff and principal were not on staff in previous school years, therefore a further cause for the mismanagement of the End-of-Year MTF Process could not be determined.

Inadequate documentation of funds received compromises internal controls required for efficient processing of SAF audits. The audit trail for verification of funds is compromised when adequate documentation is not available. Moreover, the information for ensuring adequate financial reporting is obscured when the required financial records are not adequately maintained or available to ensure timely and accurate processing.



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**Recommendation:** Tall Oaks High School will be closed as of June 30, 2022. The principal and recordkeeping staff should perform corrective actions for SAF transactions that might occur until final closing

**2022.04 Mismanagement of Disbursements**

There were **8** instances of noncompliance regarding funds disbursements:

- ***Disbursements not Properly Approved:*** there were **3** instances where disbursements were not properly approved.
- ***Delinquent Payment of Invoice:*** there was **1** instance where an invoice was not paid in a timely manner. Check #6679 was issued on 2/18/2022 for an invoice dated 1/10/2022.
- ***Inadequate Supporting Documentation:*** there was **1** instance where documentation did not adequately support the expenditure amount. Check #6649 was issued as a senior dues refund, while supporting documentation included with the SFEF did not verify the amount the student was owed.
- ***Records Retention:*** there were **3** instances where documentation to support disbursements could not be located.

According to APM section 4.5.3.1 *Cash Disbursements Procedures*, a School Funds Expenditure Form (SFEF) must be completed and signed by the principal prior to ordering or purchasing goods or services. All checks must have itemized documentation attached to the SFEF that supports the amount of the check. Invoices should be paid within 30 days of receipt, or by the invoice's stated due date.

The school's current principal joined the school during the current school year and was unfamiliar with the expenditure approval process, resulting in one SFEF being improperly approved. The remaining noncompliant expenditures were requested and approved during the tenure of the school's previous recordkeeping staff and principal, therefore a further cause for the remaining expenditures that were not properly approved could not be determined.

The school received an invoice dated January 10, 2022 from the International Association of Approved Basketball Officials (IAABO) in February, 2022, for basketball officials for games that took place in December, 2021. Recordkeeping staff consulted with the Accounting and Financial Reporting Office to verify whether the invoice should be reissued before being paid due to the invoice date and delayed delivery, and was advised to pay the invoice as-is.

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Reimbursements for senior dues refunds were issued while documentation to support the expenditure amounts could not be located. These disbursements took place prior to the school's current principal and recordkeeping staff joining the school, therefore a further cause for these disbursements' supporting documents' absence could not be determined.

When disbursements are not adequately approved, it places the school at risk for fraud, waste, and abuse. In addition, it threatens the solvency of the school's SAF account. When invoices are paid late it reduces the public trust for conducting business with the school.

**Recommendation:** Tall Oaks High School will be closed as of June 30, 2022. The principal and recordkeeping staff should perform corrective actions for SAF transactions that might occur until final closing.

**2022.05 Mismanagement of Voided Checks**

There were **9** instances of noncompliance regarding voided checks:

- ***Removal of Signature Line:*** There were **7** instances where voided checks were not properly defaced by removing the signature line.
- ***Records Retention:*** There were **2** instances where voided checks and supporting documentation could not be located.

According to APM section 4.5.3.2 *Summary of Check Disbursement Procedures*, voided checks are to be defaced and filed with cancelled check images.

The school did not follow BOE voided check policies and procedures. The voided checks that were not defaced by removing the signature line occurred prior to when the school's current recordkeeping staff and principal joined the school, therefore a cause for the mismanagement of voided checks could not be determined.

When checks are not properly voided it puts the school at risk for checks to be negotiated without authorization. Defacing voided checks by removing the signature line prevents voided checks from being fraudulently used again.

**Recommendation:** Tall Oaks High School will be closed as of June 30, 2022. The principal and recordkeeping staff should perform corrective actions for SAF transactions that might occur until final closing.

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**2022.06 Check Signers**

The current principal is not an authorized signer for the school checking account. The previous principal was on extended leave when the audit was conducted and is still listed as an authorized check signer despite the current principal joining the school on February 7, 2022.

According to APM Section 4.2.2 *Bank Account Procedures*, schools must maintain at least three authorized check signers on the checking account: the current principal, bookkeeper, and another administrator. The current principal and bookkeeper should be the primary check signers on the account, while the third should be an administrator (i.e. a vice-principal, teacher in charge, or wing coordinator) who signs in one of the primary signatories' absence.

The current principal joined the school on February 7, 2022, and the required process to have a new principal added to the school's bank account signature card was not initiated. As of the end of the audit period, the current principal has not been added to the signature card, and the previous principal was still listed on the signature card.

When there are check signers on the bank account that have discontinued their fiduciary responsibility for the school, SAF are at risk of misappropriation. Lastly, as the fiduciary agent for the school, the current principal must be listed as an authorized check signer.

**Recommendation:** Tall Oaks High School will be closed as of June 30, 2022. The principal and recordkeeping staff should perform corrective actions for SAF transactions that might occur until final closing.

**STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Tall Oaks High School was issued for the period ended September 30, 2018. The current principal was not on staff during that audit; the current recordkeeping staff was also not on staff during that audit. There were 4 findings noted as a result of the previous audit and summarized below:

- **Mismanagement of Funds Received** – Condition still exists. See **2022.03** regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements** – Condition still exists. See **2022.04** regarding *Mismanagement of Disbursements*.

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- **Missing Voided Checks** – Condition still exists. See **2022.05** regarding *Mismanagement of Voided Checks*; and
- **Financial Reporting** – Condition still exists. See **2022.02** regarding *Untimely Completion of Monthly Financial Reporting*.

**ACKNOWLEDGEMENT**

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