



September 29, 2021

**MEMORANDUM**

To: Edward Ryans, Ed. D. Instructional Director  
Cluster 11

Gorman Brown, Ed. D., Principal  
Charles Herbert Flowers High School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for the Period February 1, 2018 through June 30, 2021

An audit of the financial records of **Charles Herbert Flowers High School** was completed for the period February 1, 2018 through June 30, 2021. 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 **October 29, 2021** 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, email address [internal.audit@pgcps.org](mailto:internal.audit@pgcps.org). **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: [dany.washington@pgcps.org](mailto:dany.washington@pgcps.org); Deborah Smalls, Business Operations Technician, email address: [deborah.smalls@pgcps.org](mailto:deborah.smalls@pgcps.org); Joeday Newsom, Esq., Ethics Compliance Officer, email address: [joeday.newsom@pgcps.org](mailto:joeday.newsom@pgcps.org) and Katrina Greene, School Activity Funds Support Specialist, email address: [katrina.greene@pgcps.org](mailto:katrina.greene@pgcps.org).

Enclosure

cc: Juanita Miller, Ed. D., Board Chair  
Monica Goldson, Ed. D., Chief Executive Officer  
Members, Board of Education  
Mychael Dickerson, Chief of Staff  
Helen Coley, Ed. D., Chief of School Support and Leadership  
Michael Herbstman, Chief Financial Officer  
James Dougherty, Director, Financial Services  
Carletta Marrow, Ed. D., Associate Superintendent High and Alternative Schools  
Joeday Newsom, Esq., Ethics Compliance Officer  
Robin Welsh, Director, Office of Compliance  
Katrina Greene, School Activity Funds Support Specialist  
Janice Walters-Semple, CPA, Internal Audit Supervisor  
Theodore Dzodzomenyo, Internal Auditor II

**Internal Audit Report**

**Charles Herbert Flowers High School  
School Activity Funds**

**For the Period Ended June 30, 2021**

Charles Herbert Flowers School  
School Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2021

**Table of Contents**

INTERNAL AUDITOR’S REPORT.....2  
SUMMARY ..... 3  
OBJECTIVES ..... 3  
SCOPE ..... 3  
FINDINGS AND RECOMMENDATIONS..... 4  
STATUS OF PRIOR AUDIT FINDINGS ..... 7  
ACKNOWLEDGEMENT ..... 7

Charles Herbert Flowers School  
School Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2021

Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Charles Herbert Flowers High School for the period February 1, 2018 through June 30, 2021. Charles Herbert Flowers 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 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:

- *Missing Funds,*
- *Inadequate Approval of Disbursements,*
- *Delinquent Deposits,*
- *Line of Credit for Postage Services and Administration of Contract, and*
- *Year-End Monetary Transmittal Forms Submission Process*

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 June 30, 2021



Michele Winston, CPA  
Director, Internal Audit

Charles Herbert Flowers School  
School Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2021

**SUMMARY**

Internal Audit completed an audit on the school activity funds (SAF) for Charles Herbert Flowers High School for the period February 1, 2018 through June 30, 2021. 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 (APM) for School Activity Funds and Board of Education (BOE) policies and procedures.

This audit report includes 5 findings that 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. In addition, 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 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 all bank statements, financial reports, cancelled checks and all available Monetary Transmittal Form (MTF) envelopes submitted by staff for the period February 1, 2018 through June 30, 2021. Also, selected 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 school operating resource (SOR) funds or any funds not derived from students' activities for the audit period.

Charles Herbert Flowers School  
School Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2021

**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations:

**2022.01: Missing Funds**

There was **1** instance where the funds recorded on MTF #399518 and deposited did not agree with the receipts issued to students for that deposit. The amount documented on the MTF was \$3,500.00, whereas the receipts issued to students show collections that totaled \$3,575.00. The discrepancy resulted in missing funds of **\$75.00**.

The APM, Section 4.5.2.2, *Cash Receipts Procedures* requires the bookkeeper to count funds and verify the total on the MTF and applicable attachments. The funds counted must agree with the MTF and the actual funds remitted. When discrepancies are noted, the bookkeeper must immediately contact the individual who remitted the funds.

Both the recordkeeping staff and the staff member A, who collected the funds failed to recognize the discrepancy between the total on the MTF in their addition of the receipts. Failure to adequately collect, verify and deposit SAF has resulted in loss to the student body.

**Recommendation:** Employee A must return the shortage of **\$75.00** to the school. This payment should be made on a separate MTF. A copy of the MTF and deposit ticket evidencing the repayment must be forwarded to Internal Audit.

**2022.02: Inadequate Approval of Disbursements**

There were **5** instances where disbursements were not adequately approved. The principal's approval was provided after the school was obligated and after the dates of purchase.

The APM, Section 4.5.3.1 provides that 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.

According to the recordkeeping staff, staff members are aware that preapproval must be obtained prior to obligating the school. However, a few staff members have on occasion not followed the procedures. Failure to obtain pre-approval of disbursements constitute non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Failure to obtain pre-approval can result in restricted fund accounts being overspent and insolvency.

Charles Herbert Flowers School  
School Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2021

**Recommendation:** The principal and financial secretary should implement internal controls over the expenditure pre-approval process. Staff members must be trained on the process and reminded that the school may deny them their reimbursement if they do not comply.

**2022.03: Delinquent Deposits**

There were **36** instances where the funds received were not deposited timely. The delinquency ranged from **3 to 43** days after the initial collection by the staff member.

According to the APM, Section 4.5.2.2, *Cash Receipts, Procedures* all funds collected must be submitted 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. Also, staff members are prohibited from keeping funds in their possession overnight.

According to the financial secretary, staff members have received training and documented guidelines about their responsibilities relative to daily remittance of funds received. However, staff members failed to consistently comply with this requirement. The financial secretary was on leave in some other instances of delinquency. Delinquent deposit of funds constitute non-compliance with BOE policies and procedures and increases the risk of loss.

**Recommendations:** Staff members must be reminded of the importance of remitting funds in a timely manner. The principal must reiterate this information to all staff members since this non-compliance is pervasive. Staff members must be held accountable compliance. Also, in the absence of the financial secretary, the principal should make the daily bank deposits.

**2020.04: Line of Credit for Postage Services and Administration of Contracts**

A 60 month NASPO ValuePoint FMV Line of Credit (LOC) account was established with Pitney Bowes for the use of a postage system that requires a monthly or quarterly fee. The agreement to enter into this LOC was signed by the recordkeeping staff.

According to the APM, the use of purchase cards and LOC are prohibited for school SAF. A LOC typically results in interest charges and late fees if payments are not prompt. Also, the principal, as the agent of the BOE, must approve and sign all agreements and contracts entered into for all school activities. Additionally, the authorization granted to principals shall not be delegated.

Reportedly, the recordkeeping staff was not aware that the LOC account was prohibited and that she could not sign this agreement. There is the potential for unintended school obligations when a staff member other than the principal enter into contractual agreements for goods or services. Additionally, use of LOCs can result in unfunded obligations.

Charles Herbert Flowers School  
School Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2021

**Recommendation:** The principal must establish internal controls that prohibit the signing of contracts by unauthorized staff and establishment of lines of credit. The principal should consult with Purchasing and Supply Services regarding discontinuing the NASPO ValuePoint FMV Line of Credit (LOC). The recordkeeping staff must be held accountable for adhering to the policies relative to contracts on behalf of the school.

**2022.05: Year-End Monetary Transmittal Forms Submission Process**

The year-end monetary transmittal process is not being followed as prescribed in the APM. MTFs were not included in 3 teachers' MTF envelopes for FY 2020. There were 81 MTFs that were not submitted by the teachers in those instances.

The APM Section 4.5.2.2 (1) *Collecting Funds* indicates that the staff member is responsible for completing the MTF and maintaining an envelope containing all the MTF (pink and yellow) remittance prepared during the year. Staff members are required to submit copies in signed, sealed MTF envelopes to the designated administrator during the year-end checkout process. The envelopes should remain sealed and inaccessible to recordkeeping staff until requested by Internal Audit.

According to the principal's secretary who was responsible for collecting the envelopes at the end of each year, staff members were reminded of their responsibilities relative to the MTF envelopes submission process during the year-end check out process. However, staff members dropped the envelopes in a designated bin without following the procedure. 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 must be reminded of their responsibility relative to the year-end MTF submission. Each staff must be held accountable for returning MTFs as required. The recordkeeping staff should continue to print the "Receiptee History" report from the school's accounting system listing MTFs issued and provide it to the administrator or the principal's designee responsible for collecting MTF envelopes at year-end. The principal's designee should ensure that all MTF envelopes are collected and remain sealed until reviewed by Internal Audit.



Charles Herbert Flowers School  
School Activity Funds  
Internal Audit Report  
For the Period Ended June 30, 2021

**STATUS OF PRIOR YEAR FINDINGS**

The previous audit report for Charles Herbert Flowers High School was issued for the period ended January 31, 2018. The principal and recordkeeping staff were in their current positions at that time. The previous audit report included **8** findings of which **3** are repeated in this audit report. The following findings were noted as a result of the last audit and their current status is indicated below.

- Missing Funds- Condition still exists – **See Finding 2022.01** regarding *Missing Funds*.
- Mismanagement of Disbursements - Condition still partially exists – **See Finding 2022.02** regarding *Inadequate Approval of Disbursements*.
- Mismanagement of Funds Received - Condition still exists – **See Finding 2022.03** regarding *Delinquent Deposits*.
- Administration of Voided Checks - Condition was not noted during this audit
- Administration of Vending Contract - Condition was not noted during this audit
- Improper Data Entry - Condition was not noted during this audit
- Untimely Financial Reporting - Condition was not noted during this audit
- Budgeting for Clubs and Organizations not Performed - Condition was not noted during this audit
- Improvement Needed in Management Oversight - Condition was not noted during this audit

**ACKNOWLEDGEMENT**

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