

**TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.**

**A Charter School and Component Unit of the  
District School Board of Manatee County, Florida**

**Single Audit Report in  
Accordance with Uniform Guidance**

**June 30, 2018**



**McCRADY & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

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McCrary & Associates  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

To the Board of Directors of Team Success A School of Excellence, Inc.,  
a Charter School and Component Unit of the District  
School Board of Manatee County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund for Team Success A School of Excellence, Inc., a Charter School and Component Unit of the District School Board of Manatee County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued a separate report restated thereon dated March 30, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses.

We have reported other matters, Findings Nos. 2018-1 – 2018-4 on pages 8 and 9 for management's further consideration.

## Response to Findings

Team Success A School of Excellence, Inc. response to findings identified in our audit is described on page 10 and was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McCrady & Associates, PLLC*

Altamonte Springs, Florida  
March 30, 2019

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**Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

To the Board of Directors of Team Success A School of Excellence, Inc.,  
a Charter School and Component Unit of the District  
School Board of Manatee County, Florida

**Report on Compliance for Each Major Federal Program**

We have audited Team Success A School of Excellence, Inc., (the "School"), a charter school and component unit of the District School Board of Manatee County, Florida compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2018. The School's major federal programs are identified in the summary of Auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

## Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did identify deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*McCrady & Associates, PLLC*

Altamonte Springs, Florida  
March 30, 2019

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**TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.**

**A Charter School and Component Unit of the  
District School Board of Manatee County, Florida**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2018**

<b>Federal Grantor / Pass-through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Period</b>	<b>Total Federal Expenditures</b>
United States Department of Agriculture / Florida Department of Agriculture /  National School Lunch Program	10.555	7/1/17 - 6/30/18	\$ 396,107
United States Department of Agriculture / Florida Department of Agriculture /  School Breakfast Program	10.553	7/1/17 - 6/30/18	209,436
Total Food Program Cluster			605,543
United States Department of Education / Florida Department of Education / Title I Grants to Local Education Agencies	84.010	7/1/17 - 6/30/18	539,362
United States Department of Agriculture / Florida Department of Agriculture /  Commodity Supplemental Food Program	10.565	7/1/17 - 6/30/18	28,395
United States Department of Education / Florida Department of Education /  IDEA, Part B	84.027	7/1/17 - 6/30/18	11,782
United States Department of Education / Florida Department of Education / Title II Grants to Local Education Agencies	84.367	7/1/17 - 6/30/18	6,000
Total Actual Federal Award Expenditures			<u>\$ 1,191,082</u>

**TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.**

**A Charter School and Component Unit of the  
District School Board of Manatee County, Florida**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018**

**1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activities of the Organization during its fiscal year July 1, 2017 through June 30, 2018. The information in this schedule is presented in accordance with the requirements of *Uniform guidance*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*.

**3 DE MINIMIS INDIRECT COST RATE**

The auditee used actual costs and did not elect to use the 10% indirect cost rate.



**TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC**

**A Charter School and Component Unit of the  
District School Board of Manatee County, Florida**

**Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2018**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s restated report issued: Unmodified

Internal Control over financial reporting:

- Material weakness identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? Yes

*Federal Awards*

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None noted

Type of auditor report issued on compliance for major programs? Unmodified

Audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance? N/A

Identification of major programs:

<b>CFDA Number</b>	<b>Grant Period</b>	<b>Name of Federal Program</b>
10.553	7/1/17 – 6/30/18	School Breakfast Program
10.555	7/1/17 – 6/30/18	National School Lunch Program
84.010	7/1/17 – 6/30/18	Title 1

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Qualified as a low-risk auditee? Yes

**TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC**

**A Charter School and Component Unit of the  
District School Board of Manatee County, Florida**

**Schedule of Findings and Questioned Costs  
(continued)**

**For the Year Ended June 30, 2018**

**Section II – Financial Statement Findings**

**Finding 2018-1 - Segregation of Duties**

When the school was starting and much smaller, there was one individual who primarily worked in the accounting department under the oversight of the principal and the Board of Governance. This is not unusual for small governments and nonprofit organizations to have limited resources to hire enough employees for proper separation of duties. Therefore, the school reviewed their internal control policies and applied mitigating factors to attempt to minimize the risks. For example, all check disbursements required two signatures and approved by the Director. Over the last couple of years, the school has successfully expanded requiring additional employees to be included in the accounting department. Management took action in late fiscal 2018 with hiring additional accounting personnel to create more segregation of duties. In addition, new policies and procedures were initiated such as signature stamps to avoid any delay of school activities. Although the controller was not authorized to sign checks, another member of the accounting department was assigned a stamp for signing checks. It appears that the stamp may have been used by someone other than the person authorized to use it. This action could potentially reduce the role of separation of duties. There were material misappropriation of assets discovered in September of 2018. These potential amounts were quantified by management to be approximately \$267,000 during the fiscal year 2017/2018. Inherently, small organizations need to improve the documentation and review of the separation of duties as the school changes.

**Finding 2018-2 - Management Override of Internal Controls**

During fiscal year 2018, the controller who was responsible for most of the accounting duties and many approvals, overrode internal control procedures to possibly misappropriate funds. These possible actions may have included altering checks after signed and approved by the Director, using a signature stamp that did not include her name and potentially creating fictitious entities and bank accounts. It is possible that the misappropriation of assets was caused by Management override of internal controls approved by the Board of Governance. Management engaged other independent professionals to conduct an internal investigation. Based on that report and our review, the amount of the potential loss associated with the school for fiscal year 2018 in the amount of approximately \$267,000 has been recorded in these financial statements. As discussed, additional proper separation of duties should mitigate or reduce this risk. We recommend the board review the new policies annually.

**Finding 2018-3 – Documentation Surrounding the Disbursement Process for the General Fund**

During fiscal year 2018, our disbursement testing of the general fund expenditures resulted in a lack of documentation or support for some purchases when requested at final fieldwork. The controller, who had oversight responsibility for the accounting process including requests, approvals and remittance of payment, allegedly did not comply with the internal control procedures to possibly misappropriate funds. For example, the board has designated that two signatures would be on all checks. The controller was appropriately not an authorized signature. However, after an internal investigation, management engaged other independent professionals

# **TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC**

## **A Charter School and Component Unit of the District School Board of Manatee County, Florida**

### **Schedule of Findings and Questioned Costs (continued)**

**For the Year Ended June 30, 2018**

to conduct an internal investigation. Based on that report and our review, the amount of the potential loss associated with the school for fiscal year 2018 has been recorded in these financial statements. We recommend that any signature stamps not be used when issuing checks or as approval on any support. We recommend the Board adopt a policy that any disbursements over \$10,000 has to be reviewed and approved by the Board except for recurring items such as rent. We also recommend the internal controls for separation of duties should be reviewed and changed to accommodate the activities and the size of the school as it changes.

#### **Finding 2018-4 –Use of Credit Cards Issued to Management and Employees**

During our review and test work in fiscal year 2018, we noted there were numerous credit cards with high available credit to several members of management for use to operate the school. This practice had grown over the years due to the growth of the school. Based on our review of several months of credit cards, most all of the charges had support such as receipts attached to the statement for review before approval. However, it was not always clear the purpose of the purchase. These purchases could have been for school or personal use but was not always specified on the support. Although most of these items were small, aggregately they were material. During the internal and independent investigation, this fact was taken into consideration when determining the amount of misappropriation of assets. Based on that report and our review, the amount of the potential loss associated with the school for fiscal year 2018 has been recorded in these financial statements. We recommend the Board of Governance develop policies surrounding the use of any credit cards including reduction of credit, minimizing the number of payers as well as recipients of the cards. In addition, they should review and establish specific proper documentation. In addition, they should review and establish specific required documentation.

#### **Section III – Federal Award Findings and Questioned Costs**

Based on our specific testing on the Federal Programs Audit there were no findings noted.

#### **Section IV – Status of Prior Year Audit Findings**

1. There were no findings and recommendations in the preceding financial audit report.

## Team Success, A School of Excellence

### Current Year Audit Findings and Management's Response

#### Finding Number 2018-1 Segregation of Duties

The school has grown, but maintained one primary individual responsible for the dispersal of funds. The school thought it had sufficient safe guards in place by having two signatures required for each expenditure check. The school allowed the use of a signature stamp for one those individuals to expedite check processing. The other individual whose signature was required on each step managed to replicate the stamp and used the stamp to improperly affix a co-signature to checks in an unauthorized fashion allow her to steal substantial sums before being discovered. This same individual reviewed the monthly banking statements and approved them, hiding the theft.

Management's Response: Management has already taken steps to prevent this from occurring in the future. Check signature stamps are no longer permissible. Most importantly, an independent member of management, that is one who does not have check signature authority, now reviews the bank statements to verify the appropriateness of all check expenditures. Additionally, actual expenditures as noted on monthly bank statements will be compared to the general ledger to confirm proper categorization of expenses, and that actual funds expended were booked to the appropriate accounts.

#### Finding Number 2018-2 Management Override of Internal Controls

It was found in the audit that the same individual as above regularly overrode the internal control procedures in place to misappropriate funds. This included the abuse of the check stamp as in the 2018-1 Finding above.

#### Management Response:

Management and the Board of Governance has instituted a policy that requires any deviations from approved internal controls to be approved by an



independent party of management who has not control over fund dispersals. The Board of Governance has eliminated the permissive use of a check signature stamp and still requires the manual signature of two parties for each dispersal check written. Additionally, the Board of Governance has put in place a policy of having an individual not associated with check preparation or signature review the monthly bank statements to verify the appropriateness of all funds dispersed in the previous month. This also extends to reviewing the payroll disbursement records to assure the all payments to employees were authorized and appropriate. The Board of Governance will review these policies on at least an annual basis, with the input of our independent third party auditors.

#### Finding 2018-3 Documentation Surrounding the Disbursement Process for the General Fund

It was found in the audit that many times there was a lack of documentation to support disbursement of funds. This lack of documentation was always in conjunction with the misappropriation of funds that was facilitated by the unauthorized abuse of the check signature stamp.

#### Management Response:

The Board of Governance has already instituted multiple corrective policies. Check signature stamps will no longer be used or authorized. Any disbursement over \$10,000 that is not a recurring item must be reviews and approved by the Governing Board. Duties have been separated, so that a party who is not a check signer will review the monthly bank statements for disbursement and confirm proper documentation for any suspicious disbursement, as well randomly audit for proper documentation supporting disbursements. Additionally, actual cash disbursements as reflected in monthly bank statements will be compared to general ledger category entries to confirm that all expenditures were properly booked.

#### Finding 2018-4 Use of Credit Cards Issued to Management and Employees



It was found that there were numerous credit cards, most with high credit limits, available to multiple members of school management. There were often credit card expenditures with insufficient documentation. This situation led to credit card abuse used as a vehicle for theft of school funds.

Management Response:

The Board of Governance will be restricting the use of credit cards to minimum necessary for reasonable efficient operation of the school on a day to day basis. This will mean having less credit cards in number, having less authorized users on each credit card, and having the minimum balance to handle typical expenditures. Unusual expenditures of higher amounts will be handled via the normal check dispersal system rather than by credit card. Additionally, recognizing the potential for credit card abuse, the accounting personal will be more diligent in requiring back up documentation for all credit card expenditures.

On behalf of the Board of Governance of Team Success School I do here-by submit this Management Response to Audit findings and its Plan of Correction

A handwritten signature in dark ink, appearing to read "Douglas R. Colkitt M.D. M.B.A.", written in a cursive style.

Douglas R. Colkitt M.D. M.B.A.

President of the Board of Governance

Team Success School