

Office of Internal Compliance

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Ralph J. Bunche Middle School Summary of Findings

February 8, 2017

Dr. Mario Watkins
Principal
Ralph J. Bunche Middle School
1925 Niskey Lake Rd. SW
Atlanta, GA 30331

Dr. Watkins,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Ralph J. Bunche Middle School (Bunche). This report provides, as a follow up to the exit conference comments, written communication of the results of testing derived from certain audit procedures designed to meet the audit objective.

Audit Objective

The objectives of the audit were to document the processes utilized by Bunche to perform cash collections derived from school based activities and to determine whether disbursement processes were performed according to established procedures documented in the *School Based Services Financial Guidelines*.

Audit Scope

The scope of the audit includes the review of financial records from July 1, 2015 to November 8, 2016 and operational procedures for administering the Miscellaneous Cash Activity Account Fund (MCAAF).

Audit Procedures

We performed the following tests to achieve our objective:

- ✓ Analyzed the Updated School Compliance and Audit Questionnaire
- ✓ Surveyed and Interviewed Selected School Personnel
- ✓ Reviewed Bank Reconciliations for Abnormal Reconciling Transactions
- ✓ Tested a sample of Receipts from Collection Approval to Bank deposit
- ✓ Tested a sample of Disbursements from Request to Approval/Disbursement

Audit Conclusion

The cash handling, recording, and depositing of the cash for the Miscellaneous Cash Activity Account fund appear adequate, but lack administrative protocols. Based upon the testing performed, the following opportunities for improvements were identified and discussed with school administrators during an exit conference. The opportunities are categorized as General Administration, Cash Receipt Analysis, and Cash Disbursement Analysis. Bunche's response is included after each finding recommendation.

GENERAL ADMINISTRATION

Observation #1

No training administered for FY2015-2016. The Principal did not attend the required training for FY2016-2017.

All Principals, Secretaries, and Sponsors are required to attend training at the beginning of each school year.

Failure to ensure all school personnel are trained provides the opportunity for unauthorized collection of monies and a probability for lost/stolen funds.

Recommendation(s)

Bunche leadership should ensure the Principal and all Sponsors are trained prior to collecting funds from students/parents.

Response

Training will be conducted within the next two weeks. Going forward, the Principal and all designees will attend School Based Financial Services training when provided and/or training information will be redelivered to all Sponsors. Sponsorship training going forward will take place twice a school year. In the Fall for all Fall activities and in January for Winter/Spring activities.

Observation #2

No Sponsorship Agreement for FY2015-2016 or FY2016-2017. 9 of 15 Sponsors (60%) collected funds from students/parents with no evidence of a receipt issued or *Receipt Collection Form*. Also, Bunche is not ensuring that *Request for Fund Raising Project Forms* are submitted for fundraisers.

The instituted process requires the school to properly document the principal's approval of activities, designation of approved sponsors, and documentation of the assigned receipt books to sponsors.

Failure to document the principal's approval of activities, designation of approved sponsors, and documentation of assigned receipt books to Sponsors provides the opportunity for unauthorized collection of monies and a probability for lost/stolen funds. Also, failure to ensure school fund raising events are approved by the Principal and Associate Superintendent prior to the activity taking place provides an opportunity for theft.

Recommendation(s)

Bunche leadership should ensure *Request for Fund Raising Project Forms* are completed and approved by the Principal and Associate Superintendent prior to issuing receipt books to Sponsors for fundraising

activities. Bunche leadership should ensure the *Sponsorship Agreement* is completed at the beginning of each school year.

Response

All *Request for Fundraising Project Forms* will be signed by the Principal and forwarded to the Associate Superintendent for approval prior to any fundraisers. The Bookkeeper will ensure a packet is created with all signed forms, including a copy of the *Sponsorship Agreement*. *Sponsorship Agreements* will be signed at the beginning of the year and revisited when new activities are presented to the Principal.

CASH RECEIPT ANALYSIS

Observation #3

Sponsors hold monies from students and/or parents between one (1) to twenty (20) days before submitting funds to Secretary to post and deposit. The Secretary does not always reconcile receipts (money received) to the receipt book.

The current guidelines require Sponsors to submit funds daily to the Secretary. The Secretary must verify reconciliation of receipts to the receipt book and issue an official SABO receipt to the Sponsor after verifying funds. The security of the funds remain the responsibility of the Sponsor until funds verification and receipt has been made.

Failure to deposit collected funds daily decreases internal controls and exposes the school to possible lost or stolen funds. Failure to reconcile receipts to funds submitted by Sponsors exposes the school to possible lost or stolen funds.

Recommendation(s)

Bunche leadership should ensure the designated bookkeeper and all Sponsors follow the procedures outline in the Receipts and Collections section of the *SBS Financial Guidelines*.

Response

A PowerPoint presentation has been made to present to the staff/Sponsors. A hard copy of the *SBS Financial Guidelines* have been printed and made available for all staff in the building. Also, the staff have been directed to where they can find the handbook online.

Observation #3a

Bookkeeper misplaced \$390 in cash receipts submitted by Sponsor for approximately 307 days. The Sponsor was not issued a SABO receipt when the funds were submitted to the Bookkeeper for deposit. The Bookkeeper was unaware the funds were missing until notified by OIC in November 2016.

The current guidelines require Sponsors to submit funds daily to the Secretary. The Secretary must verify reconciliation of receipts to the receipt book and issue an official SABO receipt to the Sponsor after verifying funds. The security of the funds remain the responsibility of the Sponsor until funds verification and receipt has been made.

Based upon our review of receipts books, it appeared that one Sponsor did not submit \$350 of funds collected from students/parents. However, the Sponsor claimed that the funds were submitted to the

bookkeeper. The Sponsor did not receive a SABO receipt for the funds submitted. OIC noted that the Bookkeeper was not able to provide a SABO receipt to support the \$350 the Sponsor claimed to have submitted.

On December 8, 2016, the Bookkeeper stated that she found \$390 in an envelope in the storage room that houses the school's safe. The envelope was not in the school's safe. The Bookkeeper believes the money represents a part of the \$350 cash receipts that OIC was unable to successfully trace to the bank deposits as part of their initial testing. However, OIC is unable to confirm that theory for the following reasons:

- The denomination of funds found do not correspond to the collected amounts per the receipt records. Based on receipts collection records (\$50, \$100, \$50, \$50, \$100), at least three \$10 bills should have been recovered. The funds found only contained one \$10 bill.
- The cash receipts in question totaled \$350; \$390 was found. There was no reasonable explanation for the additional \$40 that was found. The Bookkeeper believes that Receipt Number 10761 for \$40 accounts for the difference. However, she previously indicated that receipt #10761 was deposited on 2/25/2016 as part of a \$280 deposit.

Failure to receipt collected funds daily decreases internal controls and exposes the school to possible lost or stolen funds.

Recommendation(s)

See recommendation at Observation #3.

Response

See response at Observation #3.

Observation #4

The Receipts and Collections section of the *SBS Financial Guidelines* is not followed consistently.

- **7 of 32 receipts (22%) had incomplete or did not have *Receipt Collection Forms* or receipt book receipts**
- **2 of 32 receipt records (6%) were not located during the audit**
- **2 of 32 receipts (6%) did not have proper support documentation for donations (e.g., letter/donation form)**
- ***Deposit Slip Detail Forms* were not used to verify count of Sponsor submission to Secretary**

The current guidelines require the Sponsor to provide a pre-numbered receipt or complete a *Receipt Collection Form* when collecting monies from students/parents. The Principal is responsible for the maintenance and security of school financial records. Guidelines require an award letter, copy of check, and supporting documentation to be filed for donations. Also, the *Deposit Slip Detail Form* is used to verify funds submitted to the Secretary by the Sponsor.

Failure to properly complete the *Receipt Collection Forms* or issue a receipt may expose the school to possible lost or stolen funds collected from parents/students. Failure to maintain financial records is not adhering to the maintenance and security of school financial records. Failure to obtain and retain letter/*Donation Form* provides an opportunity for donated funds to be misused. Failure to use the *Deposit Slip Detail Form* provides no proof of verification of funds submitted to the Secretary by the Sponsor.

Recommendation(s)

Bunche leadership should ensure the designated bookkeeper and all Sponsors follow the procedures outline in the Administrative Responsibilities and Receipts and Collections section of the *SBS Financial Guidelines*.

Response

A PowerPoint presentation has been made to present to the staff/Sponsors. A hard copy of the *SBS Financial Guidelines* have been printed and made available for all staff in the building.

Observation #5

5 of 16 deposits (31%) were not deposited into the school's bank account within 72 hours. These deposits were between 6 to 13 days late. 2 of 11 reconciliations (18%) were not signed by the Principal.

The *SBS Financial Guidelines* requires the deposits not be held in excess of 72 hours. The Principal is required to review the entire Bank Reconciliation packet then sign each form that requires his/her signature and email those documents no later than the 15th of each month.

Failure to ensure funds are deposited within 72 hours may appear as petty cash and/or provide an opportunity for lost or stolen funds. Failure to review monthly *Bank Reconciliations Reports* provides an opportunity for unresolved negative activity fund balances and errors.

Recommendation(s)

Bunche leadership should ensure that all deposits are sent to the bank within 72 hours of receiving the funds and review monthly *Bank Reconciliations Reports* as indicated in the and Monthly/Year End Reports section of the *SBS Financial Guidelines*.

Response

All deposits will be sent to the bank within 72 hours. In the event Dunbar does not arrive on their designated day, an e-mail will be sent to our School Based Business Partner contact notifying them of Dunbar's missed pick up day. A note will also be made in the Dunbar Red book. Also, in the event that Dunbar arrives before the start of the day (prior to 8:30) and no one is available, we will call Dunbar services to see if they can double back or ask that they arrive after 8:30 a.m. on designated pick up days. A printed copy of the e-mail will be kept with the deposit slip and supporting documentation. The *Bank Reconciliation Report* will be signed as soon as it is e-mailed and turned in by the 15th of the month, if not sooner.

CASH DISBURSEMENT ANALYSIS

Observation #6

16 of 23 checks (70%) were without proper support documentation and/or approval:

- **1 of 23 checks (4%) represented a \$1,000 reimbursement to cover part of an obligation created by a past employee that financially obligated the school without written approval of the Principal**
- **4 of 23 checks (17%) did not have Principal's signature for approval**
- **2 of 23 checks (9%) did have four written quotes attached**
- **1 of 23 checks (4%) did not have proper supporting documentation for refund**

- **2 of 23 checks (9%) was a split purchase to avoid special authorization procedures for checks over authorized limits**
- **23 of 23 related *Disbursement Request Forms* (100%) were completed by the Secretary, not the individual requesting the disbursement. None of the employee reimbursements reviewed evidenced prior written approval from the Principal**

The *SBS Financial Guidelines* require written approval from the principal to initiate any project involving the collection or disbursement of school funds. Also, the guidelines require the Principal's approval prior to check disbursement. The current *Procurement Services Procedures Manual* requires purchases from \$2,001 to \$25,000 to have four written quotes via phone, fax, e-mail, or catalog. Any check amounts exceeding authorized limits must have pre-approval of the Budget Office. Employee reimbursements require evidence of prior written approval by the Principal prior to purchase. The Principal's personal signature is required to sign financial documents and should be the same as referenced on the banks signature card.

Failure to obtain written approval from the Principal to initiate a project may become the responsibility of the employee. Failure to seek competitive bids may result in paying higher than necessary prices for goods and services. Failure to maintain financial records is not adhering to the maintenance and security of school financial records. Failure to have employees complete and sign *Disbursement Request Forms* decreases internal controls and provides a possibility of improper disbursement of funds. Failure to obtain prior written approval for purchases may prevent an employee from receiving the reimbursement if funds are not available.

Recommendation(s)

Bunche leadership should ensure employees follow the *SBS Financial Guidelines*, to include but not limited to:

- Ensure no employee initiates any project without written approval from the Principal
- Obtain four written quotes for purchases from \$2,001 to \$25,000
- Obtain approval from Budget Office for checks exceeding authorized limits
- Employees complete and sign their own *Disbursement Request Forms*
- Employees receive prior written approval to the purchase of items they plan to seek for reimbursement

Response

It will be stressed in writing and verbally that no projects and fundraisers will take place without the approval of the Principal and all forms must be turned in and signed by all applicable parties. For purchases (typically charter buses) above \$2,000, the quotes will be vetted, the bookkeeper will provide list of approved vendors from Lawson/SABO to ensure sponsors are doing business with APS approved vendors only. Employees must complete a pre-authorization form for disbursement before making any purchases that will require a reimbursement. Once the pre-authorization form is turned into the Principal and approved, they are able to make the necessary purchase. Once the purchases are made, the employee completes a disbursement request form and turns it into the bookkeeper. The bookkeeper gets the Principal's signature on the request and cuts the check and obtains the Principal's signature for the check as well. A completed packet for our file will include the *Pre-Authorization form*, *Disbursement Request Form*, and the signed check copy.

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Observation #7

Principal used an ink stamp to sign financial documents.

The *SBS Financial Guidelines* requires the Principal's personal signature on checks from the school's student activity account. The personal signature should be the same as referenced on the bank's signature card.

Failure to follow the guidelines for Authorized Signatures allows for potential misappropriation of funds.

Recommendation(s)

The Bunche Principal should follow the SBS Financial Guideline and sign all financial documents using only a personal signature.

Response

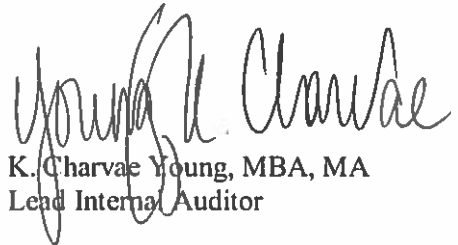
Signature stamp will not be used to sign any financial documents. Only blue or black ink pens will be used.

We want to thank you and your school personnel for their warm welcome and participation throughout this process. It was truly a pleasure working with everyone.

Sincerely,



Connie Brown, CIA, CRMA
Executive Director, Internal Compliance



K. Charvae Young, MBA, MA
Lead Internal Auditor