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Making A Difference

Springdale Park Elementary School Final Audit Report

May 12, 2017

Mr. Terry Harness, Principal
Springdale Park Elementary School
1246 Ponce de Leon Ave., NE
Atlanta GA 30307

Mr. Harness,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Springdale Park Elementary School (SPARK). 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 SPARK 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 March 8, 2017 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. SPARK's response is included after each finding recommendation.

GENERAL ADMINISTRATION

Observation #1

Secretary did not attend required training for FY2015-2016 and FY2016-2017. No training administered to 36 of 36 Sponsors (100%) for FY2015-2016 and 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)

Springdale Park leadership should ensure the Secretary and all Sponsors are trained prior to collecting funds from students/parents.

Response

School Secretary will attend all trainings set forth by the district as it relates to finances and budget. Phyllis Graham will be asked to come out periodically to review and work with school secretary to ensure that compliance of trainings has been noted. Principal will ask for proof of attendance of training from the district throughout the school year. School secretary will provide proof of attendance.

Observation #2

Springdale Park uses a portable safe that is not secure for safeguarding deposits and checks. The Secretary's location is not secure for cash activity transactions based on the following observations:

- **Heavy traffic is consistent**
- **Clear window view into office**
- **Door not locked when Secretary is not present; OIC observed on three different occasions**

The current guidelines state that the Principal is responsible for the security of school funds at all times. Also, the principal is ultimately responsible for the schools' entire financial operations and for ensuring that their school staff members follow the procedures outlined in *SBS Financial Guidelines*.

Failure to ensure the security of deposits and checks provides an opportunity for lost or stolen funds.

Recommendation(s)

Springdale Park leadership obtain a heavier more secure safe. Also, Springdale Park leadership should relocate the Secretary to a more secluded area with limited access to ensure the security of cash activity transactions.

Response

School Safe will be purchase which will meet the required weight for safety protocol as outlined by budgeting services. School Secretary's office will be moved to a location closer to the Principal where heavy traffic will be minimized and no clear view into the office door. School secretary will be instructed to close and lock her door at all times when not present within the office. This will ensure that all money, information, etc. will be secure at all times.

Observation #3

No *Sponsorship Agreement* for FY2015-2016 or FY2016-2017.

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.

Recommendation(s)

Springdale Park leadership should ensure the *Sponsorship Agreement* is completed at the beginning of each school year. Also, Springdale Park leadership should create a *Sponsorship Agreement* for the remainder of the current school year.

Response

School Principal along with School Secretary will ensure that all teachers and staff are trained in the collection/documentation of money. All staff will be required to complete a *Sponsorship Agreement* form prior to the collecting of any funds associated with Springdale Park. School Principal and School Secretary will train all staff and explain the purpose of the school *Sponsorship Agreement* form. To date, all staff have been completed a *Sponsorship Agreement* form. All staff has been trained by Atlanta Public Schools and the School Principal.

Observation #4

27 of 30 receipt books (90%) for FY2015-2016, two Reconciliation Reports, three receipts, and five disbursement records were not located and available for OIC review during the audit.

School financial records must be retained in the school for a minimum of two years and maintained in storage for an additional three years.

Failure to adhere to the Records Retention guidelines does not enforce the maintenance and security of school financial records.

Recommendation(s)

Springdale Park leadership ensure all school financial records are maintained according to Records Retention guidelines.

Response

Springdale Park Administration will create a room that is only accessible to SPARK administration; including school secretary. This room will house all financial records for up to 3 years. Each box of records will be clearly labeled for easy recognition when needed. All staff who collect funds over the

course of the school year will receive a receipt book to indicate that money has been properly receipted for all students. Receipt book will be collected at the end of the school year from each teacher. Teacher sign in and out will be required.

Observation #5

- Secretary instructed Sponsors to collect funds from student/parent and not receipt them
- Secretary instructed a Sponsor to collect funds from other Sponsors and receipt them and herself before submitting funds

This instruction was verified by reviewing available receipt books and deposits. OIC noted that the original and yellow receipts were in the receipt books. There were a few *Deposit Analysis Reports* with white receipts (vs. yellow receipts) attached.

Sponsors must receipt each parent/student using a receipt book to verify he/she has paid.

Failure to issue receipts to students/parents provide the opportunity for lost/stolen funds and does not provide verification to the payee that he/she paid.

Recommendation(s)

Springdale Park 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

All Springdale Park staff will be trained on and adhere to the process outlined within *SBS Financial Guidelines*. All Springdale Park staff will receipt each individual students for any money provided over the amount of \$10.00.

CASH RECEIPT ANALYSIS

Observation #6

The Secretary and Sponsors are not adhering to the Receipt and Collection Section of the *SBS Financial Guidelines*. Violations included but not limited to the following:

- not reconciling receipts (money received) to the receipt book (repeat finding)
- writing receipts to Sponsors from receipt books (repeat finding)
- hold monies from students and/or parents between one (1) to six (6) days before submitting funds to Secretary to post and deposit

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

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

Recommendation(s)

Springdale Park leadership should ensure the designated bookkeeper and all Sponsors follow the procedures outline in the Receipts and Collections and Special Guidelines sections of the *SBS Financial Guidelines*.

Response

All Springdale Park staff will be trained on and adhere to the process outlined within *SBS Financial Guidelines*. All Springdale Park staff will receipt each individual students for any money provided over the amount of \$10.00. School secretary will issue SABO receipts for any money collected from sponsors. This will ensure that the process outlined in the *SBS Financial Guidelines* are adhered to.

Observation #6a

PTO fundraising monies (e.g., SPARK Bag Tag) were collected by Springdale Park staff and deposited into the school's student activity account.

PTO sponsored events must be collected and receipted by an organization representative and processed and recorded in their organization's financial systems and records.

Comingling PTO funds with student activity funds assumes that the school has accepted responsibility for the financial records and activities of the organization which is in direct violation of the *SBS Financial Guidelines*.

Recommendation(s)

- Springdale Park leadership should ensure a check is remitted to the PTO for the balance of any remaining monies held on their behalf (e.g., SPARK Bag Tag, others).
- Springdale Park leadership should ensure that Sponsors do not collect funds for any parent organizations (PTA, PTO, PTSO, or Booster Clubs).

Response

All money that is collected through PTO will be monitored, collected, and deposited into PTO accounts. Moving forward Springdale Park will not accept money from events/fundraisers that are organized through PTO. Principal has met with the PTO to discuss this new process and to ensure that the PTO Treasurer is fully responsible for the collection of fundraising and PTO related events. School Sponsors have been informed that under no circumstances should they collect funds for any parent organizations. Money that has been collected by PTO and deposited into a school account will be returned to the PTO in the form of a check for documentation purposes.

Observation #7

28 of 32 receipts (88%) did not have proper support documentation (e.g., letter/*Donation Form*, yellow receipt copies, check copy). *Deposit Slip Detail Forms* were not used to verify count of the Sponsor submission to Secretary. (repeat findings)

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 deposit donations in appropriate activity account and 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)

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

Response

Moving forward the Principal will ensure that all proper documentation necessary to detail deposits/receipts into school accounts will follow the procedures outlined in the *SBS Financial Guidelines*. All documentation for all money collected, receipts and/or deposits will be filed in the filing cabinet located within the school secretary's office. This documentation will be for the current school year. Past documentation will be located within the administrative locked closet.

Observation #8

In reviewing receipts, OIC discovered that there were inconsistency with descriptions and accounts when depositing funds for the *Atlanta Symphony Orchestra (ASO)* field trip. The descriptions on the SABO receipt indicated field trip vs ASO field trip. This causes an issue when trying to determine if the funds were for the ASO, the Fernbank, or the Wahsega field trip. Also, the ASO field trip funds (based on description noted as "ASO field trip") were deposited into four different accounts:

- 4012 – ASO
- 4197 – APS Youth Orchestra
- 3057 – Fall Festival
- 7050 – Class Trip - Kndgtn

The current guidelines require each receipt to show the activity fund for which the funds are being collected. Also, the guidelines require that restricted funds must be limited to the educational purpose for which the monies were collected.

Failure to provide adequate activity description on receipts and depositing funds into an incorrect account provides an opportunity for misuse of restricted funds and allows for unaccounted for shortages in other school activity accounts.

Recommendation(s)

Springdale Park leadership should ensure SABO receipt descriptions are specific and indicate the appropriate sponsored activity, and the funds collected are deposited in the correct activity account.

Response

School secretary will ensure that all field trips will have a separate account/account number in which deposits for that field trip will only be deposited into that account. Teachers will be asked to provide specific details for which account money should be deposited.

Observation #9

2 of 24 deposits (8%) were not deposited into the school's bank account within 72 hours. The two deposits were deposited 13 to 17 days late. 2 of 32 receipts (6%) were taken to the bank instead of using the Armored Car Services. No second verifier for all deposits. (repeat finding)

The *SBS Financial Guidelines* require that deposits not be held in excess of 72 hours.

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 use Armored Car Services for deposits places school personnel and sponsored activity funds at risk.

Recommendation(s):

Springdale Park leadership should ensure all deposits are sent to the bank within 72 hours of receiving the funds and transported by the Armored Car Services. Springdale Park leadership should identify a second verifier.

Response

As of March 1, 2017, all deposits have been deposited into the school's bank account within 72 hours. This practice will continue at Springdale Park. As of March 1, 2017, each deposit has had a second verifier. This practice will continue at Springdale Park.

CASH DISBURSEMENT ANALYSIS

Observation #10

9 of 26 checks (35%) were without proper support documentation and/or were not processed according to *SBS Financial Guidelines*. Violations included but not limited to the following:

- **3 of 26 checks (12%) paid parents admission fee to a sponsored activity (*Funds were collected for student admission and bus transportation.*)**
- **1 of 26 checks (4%) reimbursed a parent for food purchase**
- **1 of 26 checks (4%) reimbursed the prior Principal without SBS approval**
- **4 of 26 checks (15%) were approved without prior written authorization to purchase, original receipts, and/or proof of payment (repeat finding)**

The current guidelines require restricted activity funds must be used for the educational purpose for which the monies were collected. The guidelines allow refund to parents for funds collected for any field trip or school activity. Also, the guidelines require employees obtain written approval by the Principal prior to purchases. *Reimbursement Requests Forms* must be presented with all original documentation (e.g., invoices, itemized receipts, sales slips).

Failure to use restricted funds for its intended purpose provides an opportunity for misuse of restricted funds and shortages in field trip obligations. Failure to obtain prior written approval for purchases and proper supporting documentation may prevent an employee from receiving the reimbursement.

Recommendation(s)

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

- Restricted activity funds are used for the educational purpose for which the monies were collected
- Employees/Sponsors submit all appropriate documentation that clearly justifies his/her reimbursement

Response

All checks collected will have proper supporting documentation per *SBS financial Guidelines*. All money collected will be for educational purposes only. Parents will only be refunded monies for specific school events and no reimbursements will be allowed directly to a parent. School Secretary and Sponsors will be trained, and it will then be the expectation that all appropriate documentation will clearly justify any reimbursements to be made.

Observation #11

Observations 1 through 10 require oversight by the Secretary in order to effectively manage the cash activities process at the school.

According to the *SBS Financial Services Guidelines*, Principals are ultimately responsible for the school's entire financial operations and for ensuring that their school staff members follow the procedures outline in the manual. The guideline recommends the School Secretary be assigned the duties of counting money, preparing deposits, processing check requests, printing checks and maintaining the school's accounting records.

Although the Principal has ultimate responsibility for the schools financial records, the Secretary plays an integral role in implementing the procedures needed to ensure the processes outline in the *SBS Financial Services Guidelines* are implemented and followed. However, based on the noted deficiencies in the Observations, the Secretary has not been successful in her responsibilities as demonstrated by the following actions:

Repeat Observations

- Accepting receipts without proper supporting documentation
- Writing receipts to Sponsors from a receipt book
- Disbursing funds without proper support documentation
- Failing to use the Armored Car Services that the district provides to safely transport deposits to the bank

Current Observations

- Failing to reconcile receipts (money received) to the receipt book
- Failing to attend required training for two consecutive years
- Failing to re-deliver training to Sponsors
- Failing to complete Sponsorship Agreements
- Failing to maintain receipts books and receipts/disbursement records
- Accepting and depositing money from a PTO Fundraiser
- Instructing Sponsors to not receipt students/parents when receiving money
- Failing to consistently allocate deposited funds into the correct student activity account

At least four of the above noted findings along with other financial guideline violations were identified in the previous Springdale Park MCAAF audit report dated January 26, 2016. The school leadership's Corrective Action Plan included obtaining additional training for the Secretary. According to the former school Principal, additional training was provided to the Secretary by a School Based Services

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representative in December of 2015. After receiving additional training, the Secretary continued to perpetuate the guideline violations noted in the 2016 MCAAF audit as evidenced by the repeat findings noted in the 2017 MCAFF audit. The 2017 MCAAF audit also identified other guideline violations for which the Secretary had direct oversight and/or responsibility for implementing.

While the Principal is ultimately responsible for the school's financial operations, it is imperative that he has competent support staff that can and will implement and enforce the processes and procedures necessary to ensure the soundness of the school's financial operations and records.

Recommendation(s)

- School leadership should evaluate the Secretary's continued involvement in managing the school's cash activities and determine how to best ensure the *SBS Services Financial Services Guidelines* are implemented to ensure the financial soundness of the school's financial operations and records.
- School leadership should ensure key personnel (Principal, Secretary) attend required financial services training annually. School Leadership should also ensure personnel involved in collecting funds are trained before they are allowed to collect funds on behalf of the school.
- The Principal and/or designee should review the Secretary's activities and records monthly to ensure the duties are being performed in accordance with the *SBS Financial Services Guidelines* and training provided by the Office of the Chief Financial Officer (CFO). The Principal should consider working collaboratively with the partner assigned from the Office of the CFO to review school's records to ensure all documentation is collected appropriately.

Response

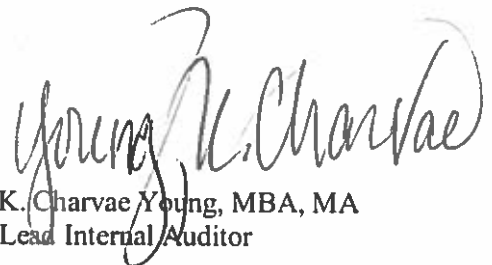
The appropriate protocol and procedures have been followed to determine the effectiveness of our current school Secretary/Bookkeeper.

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