

Office of Internal Compliance

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Harper-Archer Middle School Final Report

June 23, 2017

Mr. Marques Stewart, Principal
Harper Archer Middle School
3399 Collier Road NW
Atlanta, GA 30331

Mr. Stewart,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Harper-Archer Middle School (Harper-Archer). 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 Harper-Archer 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 May 5, 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. Harper-Archer's response is included after each finding recommendation.

GENERAL ADMINISTRATION

Observation #1

14 of 22 (64%) Sponsors did not attend training for SY2015-2016. No evidence of training administered to Sponsors for SY2016-2017.

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)

Harper-Archer leadership should ensure that all Sponsors are trained prior to collecting funds from students/parents.

Response

Sponsors will receive training at the beginning of the school year in a staff meeting.

Observation #2

11 of 27 Sponsors (41%) collected funds from students/parents were not listed on any *Sponsorship Agreement* and not issued a receipt book. 3 of 27 Sponsors (11%) were listed on the SY2015-2016 and SY2016-2017 *Sponsorship Agreements* but did not submit funds. No *Fundraising Project Request Forms* were available to review during the audit.

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. The guidelines require all fundraising events to be approved by the Principal and Associate Superintendent prior to the activity taking place.

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)

Harper-Archer leadership should ensure all Sponsors submit funds, receive receipt books, and are listed on the *Sponsorship Agreement* at the beginning of each school year. Harper-Archer leadership should ensure *Request for Fund Raising Project Forms* are completed and approved by the Principal and

Associate Superintendent prior to issuing receipt books or *Receipt Collection Forms* to Sponsors for fundraising activities.

Response

Sponsors will turn in fundraising request and get approval before they are issued a receipt book or *Receipt Collection Form*.

Observation #3

14 of 22 receipt books (64%) for SY2015-2016 and SY2016-2017 and one receipt record 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 support the financial records requirement to account for funds received and deposited.

Recommendation(s)

Harper-Archer leadership ensure all school financial records are maintained according to Records Retention guidelines.

Response

All receipt books will be collected at the end of the school year and upon a Sponsor leaving the school.

CASH RECEIPT ANALYSIS

Observation #4

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:

- **unable to verify the post and deposit of \$211 from a Sponsor's receipt book.**
- **not reconciling receipts (money received) to the receipt book;**
- **not always recording accurate information on SABO receipt to indicate source of funds;**
- **hold monies from students and/or parents between one (1) to six (6) days before submitting funds to Secretary to post and deposit; and**

The current guideline indicate that the security of the funds remain the responsibility of the Sponsor until funds verification and receipt has been made. The 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.

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 and issue an official SABO receipt exposes the school to possible lost or stolen funds.

Recommendation(s)

Harper-Archer leadership should recoup the \$211 and deposit into appropriate account. Harper-Archer 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

Harper-Archer leadership will recoup the \$211 from the Sponsor and deposit the funds in the appropriate account. Will go over the procedures in the *SBS Financial Guidelines*.

Observation #5

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

- **10 of 33 receipts (30%) did not have proper support documentation (e.g., letter/*Donation Form*, yellow receipt copies, check copy, *Deposit Analysis Report*);**
- **17 of 33 receipts did not have Principal's signature on the *Deposit Analysis Reports*;**
- ***Deposit Slip Detail Forms* were not used to verify count of the Sponsor submission to Secretary; and**
- ***Receipt Collection Forms* were not used when not using receipt book receipts.**

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/receipts. The *Deposit Slip Detail Form* is used to verify funds submitted to the Secretary by the Sponsor. The Also, the *Receipt Collection Form* is used to document funds collected for fundraisers when receipt book receipts are not used.

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

Recommendation(s)

Harper-Archer leadership should ensure the designated Secretary and all Sponsors follow the procedures outlined in the Administrative Responsibilities and Receipts and Collections section of the *SBS Financial Guidelines*.

Response

Will provide supporting documents for all donations and complete all *Receipt Collection Forms*.

Observation #6

In reviewing receipts, OIC discovered that there were inconsistency with accounts when depositing funds for the 8th grade activities/field trip and Track Team dues/fundraiser. These funds were deposited into multiple accounts and unrelated accounts respectively:

- **7049 – Class Trips – 8th Grade**
- **1014 – Economic Club**
- **7231 – Special Events**

The current guidelines require the deposit of funds into the account for the specific activity for purposes of program cost accumulation and as a reporting mechanism. Also, the guidelines require that restricted funds must be limited to the educational purpose for which the monies were collected.

Failure to depositing funds into the correct account provides an opportunity for misuse of restricted funds and allows for unaccounted for shortages in other school activity accounts.

Recommendation(s)

Harper-Archer leadership should ensure activity funds are deposited in the correct activity account.

Response

Will ensure that all funds are deposited into the correct accounts.

Observation #7

5 of 33 receipts (15%) were taken to the bank instead of using the Armored Car Services. 5 of 11 Bank Reconciliation Reports (33%) were signed and submitted between 6 to 32 days late. No second verifier for all deposits.

The Budget Office provide Armored Car Services to transport deposits to the bank. The *SBS Financial Guidelines* require the Principal to review the entire packet then sign each form that requires his/her signature and e-mail those documents no later than the 15th of each month.

Failure to use Armored Car Services for deposits places school personnel and sponsored activity funds at risk. Failure to review *Bank Reconciliation Reports* may subject the school bank accounts to suspension if issues are not resolved.

Recommendation(s):

Harper-Archer leadership should ensure all deposits are transported by the Armored Car Services. Harper-Archer leadership should ensure *Bank Reconciliation Reports* are reviewed, signed, and returned in a timely manner. Also, Harper-Archer leadership should identify a second verifier.

Response

Will make sure that all deposits are transported by the Armored Car Services. Mrs. Tresa Andrews, 8th grade Assistant Principal, will be the second verifier.

CASH DISBURSEMENT ANALYSIS

Observation #8

28 of 31 checks (90%) were approved without prior written authorization to purchase.

The current guidelines require employees to obtain written approval by the Principal prior to making purchases.

Failure to obtain prior written approval for purchases may prevent an employee from receiving the reimbursement.

Recommendation(s)

Harper-Archer leadership should ensure employees obtain prior written approval to purchase items before requesting reimbursement.

Response

Will make sure a written approval is given before any items for reimbursement are purchased.

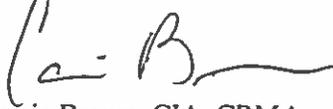
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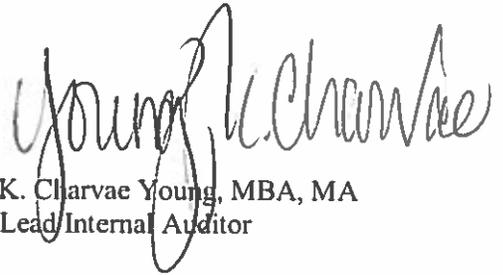
June 23, 2017

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