

## Office of Internal Compliance

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### Frederick Douglass High School Final Report

August 9, 2017

Dr. Ellis L. Duncan, Principal  
Frederick Douglass High School  
225 Hamilton E. Holmes Dr. NW  
Atlanta, GA 30318

Dr. Duncan,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Frederick Douglass High School (Douglass). 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 Douglass 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 May 1, 2015 to May 16, 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. Douglass' response is included after each finding recommendation.

## **GENERAL ADMINISTRATION**

### **Observation #1**

**8 of 15 Sponsors (53%) did not attend training for SY2015-2016. 5 of 19 Sponsors (26%) did not attend training for SY2016-2017.**

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

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

### **Recommendation(s)**

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

### **Response**

A budget training for all Sponsors will be held on Friday, July 31, 2017. All Sponsors will be required to attend. This training will be conducted by the Douglass Principal, the Douglass Bookkeeper, and the APS Budget Director.

### **Observation #2**

**SY2015-2016 *Sponsorship Agreement* was not signed and dated by Principal and did not indicate the return receipt book date. 12 of 23 Sponsors (52%) did not submit funds to Secretary, were not listed on *Sponsorship Agreement*, or did not issue a receipt to parents/students. Not all *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 and unauthorized collection of funds.

**Recommendation(s)**

Douglass leadership should ensure all Sponsors submit funds, issue receipts to parent/students, and are listed on the *Sponsorship Agreement* at the beginning of each school year. Douglass leadership should ensure *Request for Fund Raising Project Forms* are completed and approved by the Principal and Associate Superintendent.

**Response**

All Sponsors will sign and date the 2017-2018 *Sponsorship Agreement*. This will take place in the budget training on July 31, 2017.

**Observation #3**

**7 of 13 receipt books (54%) for SY2015-2016 and SY2016-2017, seven disbursements, and five receipt 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)**

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

**Response**

All receipt books will be accounted for during SY2017-2018. There will be a mid-year checkpoint to check all receipt books.

**CASH RECEIPT ANALYSIS**

**Observation #4**

**In reviewing receipt books, we were unable to verify the post and deposit of \$200 from two Sponsors' receipt book.**

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.

**Recommendation(s)**

Douglass leadership should recoup the \$200 and deposit into appropriate account(s).

**Response**

Each and every receipt book will be accounted for during the SY2017-2018. The mid-year check point will allow the Principal to find out the status of all Sponsors. The funds will be found or reinstalled from the Sponsor before Friday, August 18, 2017.

#### **Observation #5**

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

- **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 fourteen (14) days before submitting funds to Secretary to post and deposit;**
- **Sponsor receipting herself from her issued receipt book; and**

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.

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)**

Douglass 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**

Each Sponsor will receive a copy (or find the location) of the *SBS Financial Guidelines*. Each one of the mentioned guidelines will be closely monitored by the Principal.

#### **Observation #6**

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

- **6 of 36 receipts (17%) did not have proper support documentation (e.g., letter/*Donation Form*, yellow receipt copies, check copy) (repeat finding);**
- ***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. 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)**

Douglass 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**

All Sponsors will turn in proper support documentation with all receipts. Every sponsor will turn in the *Deposit Slip Detail Forms* and also the *Receipt Collection Forms* when turning in receipts and monies.

**Observation #7**

**10 of 16 Bank Reconciliation Reports (63%) were signed and submitted between 6 to 39 days late. Two deposits were not verified as deposited into the bank. Four deposits were deposited 6 to 7 days late (repeat finding). No second verifier for all deposits.**

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 15<sup>th</sup> of each month. The *SBS Financial Guidelines* require that deposits not be held in excess of 72 hours. The Georgia Department of Education, Local Units of Administration (LUAs) Manual require segregation of duties for cash receipts. The person who prepares the bank deposit should not be the person who approve (verifies) the bank deposit.

Failure to review *Bank Reconciliation Reports* timely may result in unreliable accounting records. 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 identify a second verifier for deposits weakens the internal controls for cash receipts.

**Recommendation(s):**

Douglass leadership should ensure *Bank Reconciliation Reports* are reviewed, signed, and returned in a timely manner. Douglass leadership should ensure all deposits are sent to the bank within 72 hours of receiving the funds. Also, Douglass leadership should identify a second verifier.

**Response**

All Bank Reconciliation Reports will be signed and submitted on time during the SY2017-2018. There will also be a second verifier instituted for the SY2017-2018.

Beginning July 1, 2017, all *Bank Reconciliation Reports* will be printed on the day they are emailed and placed in the Principal's signature folder, with a turnaround of 24-48 hours. If the 48th hour is nearing a conversation with the principal to stress the importance of signing to meet the deadline will occur. A backup to the bookkeeper is required to cover when the current bookkeeper is not available to meet with Dunbar, in order to meet the 72 hour deadline. All Sponsors will be reminded via email periodically of the 24 hours deadline for turning in funds collected from students.

**CASH DISBURSEMENT ANALYSIS**

**Observation #8**

**12 of 36 checks (33%) were without proper support documentation and/or were not processed according to *SBS Financial Guidelines*. Violations included but not limited to the following:**

- 2 of 36 checks (6%) were approved before purchases made and no receipts attached/submitted to verify funds used
- 1 of 36 checks (3%) reimbursed the prior Principal without SBS approval
- 9 of 36 checks (25%) were approved without prior written authorization to purchase or invoice (repeat finding)
- 2 of 36 (6%) checks did not have four written quotes for purchases over \$2,001

The *SBS Financial Guidelines* require *Reimbursement Requests Forms* be presented with all original documentation (e.g., invoices, itemized receipts, sales slips). The guidelines require that checks exceeding the high school limit of \$10,000 require pre-approval of SBS. Also, the guidelines require employees to obtain written approval by the Principal prior to making purchases. 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.

Failure to obtain prior written approval for purchases and proper supporting documentation may prevent an employee from receiving the reimbursement. Failure to seek competitive bids may result in paying higher than necessary prices for goods and services. Failure to obtain pre-approval for checks over-the-limit may subject the account to suspension.

#### **Recommendation(s)**

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

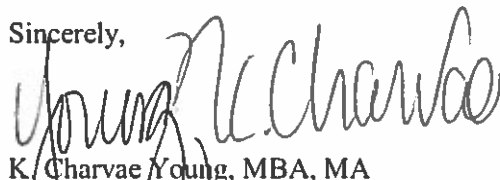
- Obtaining pre-approval for check amounts exceeding the high school limit;
- Resolving the two disbursements without receipts to provide verification that funds were used as intended;
- Obtain four written quotes for purchases from \$2,001 to \$25,000; and
- Employees/Sponsors submit all appropriate documentation that clearly justifies his/her reimbursement.

#### **Response**

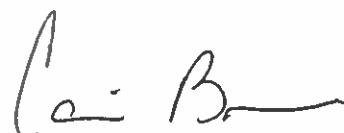
All checks will be submitted with the proper support documentation. All purchases will be approved prior to purchase. There will be four written quotes for all purchases over \$2001. The *SBS Financial Guidelines* will be followed.

We want to thank you and your school personnel for their warm welcome and participation throughout this process.

Sincerely,



K. Charvae Young, MBA, MA  
Lead Internal Auditor



Connie Brown, CIA, CRMA  
Executive Director, Internal Compliance