

## Office of Internal Compliance

130 Trinity Avenue S.W.  
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### Parkside Elementary School Final Report

August 10, 2017

Mr. Timmy Foster, Principal  
Parkside Elementary School  
685 Mercer St. SE  
Atlanta, GA 30312

Mr. Foster,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Parkside Elementary School. 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 objectives.

#### Audit Objective

The objectives of the audit were to determine the processes utilized by Parkside Elementary School 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 (SBS) Financial Guidelines.

#### Audit Scope

The scope of the audit includes the review of financial records from July 1, 2015 to July 14, 2017 and operational procedures for administering the Miscellaneous Cash Activity 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

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- ✓ Tested Receipts Books for Skipped and/or Voided Receipts

### 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 on the testwork performed, the following opportunities for improvements were identified and discussed with the school administrators during an exit conference. The opportunities are categorized as General Administration, Cash Receipt Analysis and Cash Disbursement Analysis.

### GENERAL ADMINISTRATION

#### Finding #1

**The Secretary and Sponsors are not adhering to the Receipt and Collection Section of the *SBS Financial Guidelines*. Infractions included are as follows:**

- No Sponsorship Agreement obtained for each individual Sponsor
- No evidence of Sponsors having attended training for SY 15-16 and SY16-17
- 16 of 41 receipt books (39%) could not be located by the Secretary. Therefore, these receipt books were not provided to OIC upon request during the audit.
- 22 of 41 receipt books (54%) had no return date. 8 Sponsors had no evidence of having an assigned receipt book.
- 11 Sponsors collected money and were listed on the Receiptee History report but were not listed on the Secretary's list of Sponsors. 2 Sponsors were listed on the Secretary's list of Sponsors but were not listed in SABO as a Receiptee.
- OIC found a white sealed envelope in crate of receipt books dated 5/11/2016, with \$20.00 in it that never got deposited into the bank. The Secretary did not know what the money was for. Also, the Secretary did not know the money had not been submitted for deposit.

The current *SBS Financial Guidelines* require receipt books be issued to each sponsor and that those books be returned to the Secretary at the end of each school year for proper storage.

The current *SBS Financial Guidelines* require school records be kept in accordance to the Records Retention Guidelines.

Failure to adhere to the Records Retention guidelines may limit a school's ability to account for and reconcile funds received and disbursed.

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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 probability of lost/stolen funds.

### Recommendation(s)

- School leadership should ensure the Secretary and Sponsors follow the procedures outlined in the Receipt and Collections and Records Retention section of the SBS Financial Guidelines.
- Leadership should ensure proper training is provided to all Sponsors before any school activity fund procedures are performed.

### Response

All Sponsors will be trained using the SBS Financial Guidelines by the Secretary and Principal prior to collecting money.

## CASH RECEIPT ANALYSIS

### Finding #2

- 10 of 10 receipts (100%) did not have deposit slip attached to Deposit Analysis as proper supporting documentation.
- 1 of 10 receipts (10%) did not have Deposit Analysis and check copy attached as supporting documentation.
- There was no 2nd verifier to count funds before money is sealed in bank bag.

The Secretary is responsible for keeping adequate documentation for each deposit (e.g. deposit slip, check copies, bank bag seal, yellow copy of receipts) as best business practices.

Failure to retain/attach proper documentation for deposits or have a 2<sup>nd</sup> verifier to count funds before money is sealed in bank bag provides an opportunity for misuse of funds and allows for unaccounted funds.

### Recommendation(s)

- The Secretary should ensure check copy, deposit slip, bank bag seal, SABO receipt and deposit slip detail forms are all attached to the Deposit Analysis for best practices and documentation retention purposes.

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- 2<sup>nd</sup> verifier should be designated to count funds before money is sealed in bank bag to ensure accuracy and best practices.

### Response

The school clerk will serve as the 2<sup>nd</sup> verifier to count funds before money is sealed in the bank bag. The school clerk will also verify that all documentation (check copy, deposit slip, bank bag seal, SABO receipt and deposit slip detail forms) are attached to the deposit analysis.

### Finding #3

- 3 of 10 deposits (30%) were not deposited into the school's bank account within 72 hours. The funds were deposited 6 to 13 days late.
- 1 of 10 deposits (10%) was taken to the bank by the Secretary instead of using the Armored Car Services.

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

During the audit period, there were some instances where the Secretary was not available or out of the office when Dunbar Armored Services arrived to retrieve the deposits. The school did not have another person with access to the safe to submit the deposits to Dunbar.

Failure to deposit funds timely (within 72hrs) exposes the school to possible lost or stolen funds. Also, failure to use the Armored Car Services for deposits places the school personnel and funds at risk.

### Recommendation(s)

School leadership should ensure deposits are sent to the bank timely (within 72 hours of receiving the funds) and transported by the Armored Car Services. Also, leadership should consider implementing a process that includes a second verifier with access to the safe to ensure someone is on hand to submit deposits to Dunbar timely.

### Response

A plan for collecting, receipting and turning in money has been developed. The 2<sup>nd</sup> verifier will have access to the safe in order to make sure deposits are sent to the bank within 72hrs. It has been communicated to the Secretary that the expectation is that funds are transported only by Armored Car Services. Any other method must have the Principal's approval.

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### CASH DISBURSEMENT ANALYSIS

#### **Finding #4**

**For 6 of 10 receipts (60%), monies collected from students and/or parents were held by the Sponsors between 1 to 23 days before submitting funds to Secretary for post and deposit.**

The current SBS Guidelines require Sponsors to submit funds daily to the Secretary. Failure to submit collected funds daily for deposit exposes the school to possible lost or stolen funds.

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

- School leadership should ensure the Secretary and Sponsors follow the procedures outlined in the Receipt and Collections section of the SBS Financial Guidelines which states Sponsors are required to submit funds daily to the Secretary.
- School leadership should consider establishing a set time (e.g. planning period) for Sponsors to deliver funds to the Secretary.

#### **Response**

A plan for collecting, receipting and turning in money has been developed and is part of the Sponsor's Training. This plan includes the process and times to turn in money to the Secretary. This plan is also included in the Staff Handbook.

#### **Finding #5**

**6 of 7 (86%) bank reconciliations were not reviewed timely by the Principal. Bank Reconciliations were reviewed by the Principal between 7 to 55 days late.**

The SBS Financial Guidelines require the Principal to review the entire packet and then sign each form that requires his/her signature and email those documents no later than the 15<sup>th</sup> of each month.

Failure to review Bank Reconciliation Reports may result in school leadership being unable to address financial issues and irregularities in a timely manner.

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

School leadership should ensure Bank Reconciliation Reports are reviewed, signed, and returned no later than the 15<sup>th</sup> of the month and/or no later than 5 business days if received after the 15<sup>th</sup> of the month from Special Revenue Accounting.

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### Response

The expectation for the review, signing and returning of Bank Reconciliation Reports will be discussed with the Secretary and will be documented in the EPAT.

### Finding #6

- 10 of 10 checks (100%) were approved without prior written authorization to purchase
- 9 of 10 checks (90%) did not have the Disbursement Request Form attached
- 1 of 10 checks (10%) did not have four written quotes for purchase of services over \$2,001 as required by the APS Procurement Policy

The current SBS Financial Guidelines require employees to obtain written approval by the Principal prior to making purchases and prior to checks being generated. Failure to obtain prior written approval for purchases may prevent a purchase from taking place and an employee from receiving reimbursement.

The APS Procurement Services Procedure Manual, *Quotes- purchases under \$25,000* section, requires 4 written quotes be obtained and kept in schools records for purchases of goods and services over \$2,001. These quotes can be obtained by phone, fax, email or catalog. All vendor quotes should be submitted in writing and kept on file at the school.

Failure to obtain 4 written quotes may lead to schools not receiving the best value for their dollars.

### Recommendation(s)

School leadership should ensure the Sponsors obtain prior written approval (via email or the Pre-Authorization Disbursement Request form) before making purchases and requesting reimbursement. School leadership should ensure the Sponsors follow the APS Procurement Services Procedure Manual for purchases.

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### Response

Prior approval form has been created and discussed with the entire staff. This document is also listed in the Staff Handbook.

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

Tiffany Cherry  
Lead Internal Auditor