

Office of Internal Compliance

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E. Rivers Elementary School Final Report

September 14, 2017

Dr. John Waller, Principal
E. Rivers Elementary School
8 Peachtree Battle Ave. NW
Atlanta, GA 30305

Dr. Waller,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by E. Rivers 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 E. Rivers 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 June 30, 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. Infraction included is as follows:

- No Sponsorship Agreement obtained for each individual Sponsor

All Sponsors should complete a Sponsorship Agreement at the beginning of each school year as evidence of authorization from the Principal to collect funds for school activities. Failure to ensure all Sponsors sign a Sponsorship Agreement provides the opportunity for unauthorized collection of monies.

Recommendation(s)

- Leadership should ensure a Sponsorship Agreement is provided to all Sponsors before any school activity fund procedures are performed.

Response

Each Sponsor has attended and will in the future attend a training led by the Secretary/Bookkeeper. The training reviews all pertinent financial policies, including the receipt and prior authorization request forms. Signatures from all Sponsors will be collected as part of the Sponsorship Agreement.

All teachers and staff will attend financial training in which policies will be reviewed to explain that only Sponsors can collect money and issue receipts.

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CASH RECEIPTS ANALYSIS

Finding #2

The Secretary has created a cash collection process that is not aligned with the District's financial services guidelines and/or cash management best practices.

Receipt books are not distributed to every individual that collects funds from parents/students. Therefore, parents/students do not receive a receipt when funds are initially turned over to a school's representative. For events and activities that are not collected through the PTA or OSP system, parents use the following methods:

- If parent/student comes to front office to make payments, the funds are received by the Front Office Clerks. The Clerks will give the funds to the Secretary and/or drop the payment in a locked drop box if the Secretary is unavailable. The funds are usually delivered in an envelope.
- If parent gives funds to Teacher or Media Specialist, the funds are delivered to the Secretary so that a receipt may be generated.

Risk: If cash is involved, parents can dispute the amount of funds actually delivered if confirmation of funds delivered is not made and documented at the time the funds are received.

Regardless of how the funds are received, according the Secretary, she usually produces the receipts for parents/students on the same day she receives the funds.

- Once the manual receipt is produced, the white and yellow copies are put in the related teacher's mailbox. The teacher will keep the yellow copy and the white copy is sent home with the student. The pink copy is attached to the official SABO receipt and other supporting documentation (copy of check or money, envelope, manual SABO receipt, deposit slip, deposit analysis, etc.). This process means that a parent has to rely on their student to deliver a receipt for funds they submitted. Also, the receipt is not issued in the parent's name. The receiptee's name is not on a manual or official SABO receipt.

Risk: A parent's chance of not receiving acknowledgment of funds submitted is increased since they have to rely upon their student to deliver the receipt.

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- The manual receipt issued to parents/students is mislabeled as a "*Sabo Receipt*". An official SABO receipt can only be generated through the SABO system. The Secretary will sometimes combine similar receipts (i.e. yearbook, donations, etc.) into the official SABO system as one receipt. A generic receiptee name of *E. Rivers Parents/Students* is shown as the receiptee. The remainder of the Official receipt is not completed accurately, in that beginning and ending receipt numbers are not entered correctly. Thus making it impossible to use the official SABO system to efficiently retrieve any parent/student payment history.

Risk: Additional work effort may be required of school personnel in the event of a discrepancy and/or school may not be able to produce evidence to support their records.

Risk: School resources (SABO system, staff) may not be used efficiently and may result in duplicate efforts being expended.

Recommendation(s)

- Leadership should work with the Chief Financial Officer's Office to implement a process for managing the student activity account funds that adheres to and aligns with the *SBS Financial Services Guidelines*. For instance, if school leadership does not want to issue receipt books to Sponsors, then the Secretary should receipt all funds received, outside of the PTA and OSP options, via the SABO system. The process should include, but not be limited to:
 - Providing receipts to individuals at the time of collection and/or delivery of funds
 - Completing SABO receipts in their entirety and accurately (include the individual's name on the official receipt).

Response

Only Sponsors will collect money and each Sponsor will issue a receipt at the time of exchange. Sponsors will meet with the Bookkeeper before 3:00 each day to turn-in any collected funds. The Bookkeeper will count the funds with the Sponsor, collect initial receipts, and issue a SABO receipt. The Sponsor's name will be listed as the receiptee's name in SABO.

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Finding #3

- **Monies collected from students and/or parents were held by the Secretary between 1 and 16 days before post and deposit by the Secretary.**
- **Secretary did not always issue a receipt to the parent upon collection of funds.**
- **Receipt Collection Form was not used for collections under \$10.**

The current SBS Guidelines require Sponsors to submit funds daily to the Secretary and Secretary to post funds daily into SABO. Failure to submit collected funds daily to the Secretary for deposit exposes the school to possible lost or stolen funds. Also, failure to daily post funds into SABO by the Secretary exposes the school to possible lost, stolen or unaccounted for funds.

The current SBS Guidelines requires that the Receiptee (i.e. parent or student) receives a receipt for all monies collected to validate the funds collected. Also, a Receipt Collection Form should be used for collections under \$10. Failure to issue receipts or used the Receipt Collection Form for collection of funds under \$10 exposes the school to possible lost, stolen, or unaccounted for 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.
- School leadership should ensure receipts are issued to Parents/Students upon collection of funds.
- School leadership should ensure the Receipt Collection Form is used for collections under \$10.

Response

Collected monies will be held in the safe each day until collection by Dunbar Services on Tuesdays and Thursdays. Receipt Collection Form, if needed, will be used in the future for collections under \$10. Only Sponsors will collect money and each Sponsor will issue a receipt at the time of exchange. Sponsors will meet with the Bookkeeper before 3:00 each day to turn-in any collected funds. The Bookkeeper will count the funds with the Sponsor, collect initial receipts, and issue a SABO receipt. The Sponsor's name will be listed as the receiptee's name in SABO.

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Finding #4

- The school received \$36,000 in donations from one benefactor and deposited all of the funds into the school's student activity account. The donations were received during the following periods:

SY2015-2016	\$ 17,000
SY2016-2017	\$ 19,000

The *SBS Financial Services Guidelines* requires that donations or grants from one benefactor that exceed or are expected to exceed \$10,000 be maintained, budgeted and expended through the District's financial system (Lawson). Failure to comply with the requirements may hamper the District's ability to monitor and manage donation usage.

Recommendation(s)

School leadership should ensure that donated funds are managed in accordance with the *SBS Financial Services Guidelines*, to include but not be limited to the following:

- Donations from one benefactor that exceed and/or are expected to exceed \$10,000 must be maintained, budgeted and expended through the District's financial system (Lawson). In these cases, the school should submit a Donation Form and submit to Special Revenue Accounting along with the check and all accompanying documentation.

Response

Donations in excess of \$10,000 received each fiscal year from one benefactor will be reported to the Accounting Department and deposited in one account at central office.

CASH DISBURSEMENT ANALYSIS

Finding #5

7 of 8 (88%) bank reconciliations were not reviewed timely by the Principal. Bank Reconciliations were reviewed by the Principal between 7 to 28 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 15th of each month.

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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 15th of the month and/or no later than 5 business days if received after the 15th of the month from Special Revenue Accounting.

Response

Bank Reconciliations will be signed by the 15th of the month if received from Accounting by the 15th. If Bank Reconciliations arrive from Accounting after the 15th of the month, the Reconciliations will be signed within 24 hours of arrival date.

Finding #6

- **12 of 12 checks (100%) were approved without prior written authorization to purchase**

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.

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.

Response

Pre-Authorization Disbursement Request Forms will be signed by the principal before checks are approved.

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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