

Office of Internal Compliance

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William M. Finch Elementary School Final Report

October 3, 2017

Ms. Forrestella Taylor, Principal
Finch Elementary School
1104 Avon Ave
Atlanta, GA 30310

Ms. Taylor,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by William M. Finch 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 William M. Finch 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. Infractions included are as follows:

- 3 receipt books were not found and provided to OIC during the audit.
- No documentation of receipt books being issued or returned at the end of school year. **(repeat finding)**
- No documentation of completed/approved Fund Raiser form for Fall Festival during SY 15-16.
- Secretary does not reconcile money turned in by the Sponsor to the receipt book.
- Secretary does not list receipt numbers from the receipt book on the SABO receipt.
- The 2nd verifier did not sign anywhere as proof of count with Secretary before money was sealed in bag.

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. 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 may limit a school's ability to account for and reconcile funds received/disbursed and the ability to produce financial records if required. Failure to have a 2nd verifier to sign as verification of funds before money is sealed in bank bag provides an opportunity for misuse of funds and allows for unaccounted funds.

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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. The Secretary should list receipt numbers from the receipt book on the SABO receipt for best practices. Failure to reconcile receipts to funds submitted by the Sponsor 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 and Records Retention section of the SBS Financial Guidelines.
- School Leadership should ensure the 2nd verifier sign the Deposit Analysis as verification of count of funds before money is sealed in bank bag to ensure accuracy and best practices.
- School Leadership should ensure Fund Raiser forms are approved by the Principal and kept on file at the school for document retention and best practices.
- Secretary should ensure funds turned in by the Sponsor are reconciled to the Sponsor's receipt book for best practices.
- Secretary should ensure numbers from the Sponsor's receipt book are listed on the SABO receipt for best practices.

Response

- Receipt books will be issued to all Sponsors. At the end of the school year, the Secretary will collect the receipt books and secure them with the other financial records for future audits.
- Receipt books issued and returned at the end of school year will be verified against the Sponsorship Agreement Log and documentation placed in the SABO book.
- Principal will ensure that a Fund Raiser form is completed and submitted for approval prior to all fund raisers. A copy of the form will be maintained in the SABO book.
- Secretary will verify and reconcile receipts to the receipt book.
- Receipt numbers from receipts will be listed on all SABO receipts to the Sponsor if applicable.
- A second verifier will always verify funds and sign verification before money is sealed in bank bag.

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Finding #2

- **No Sponsorship Agreement obtained for SY 15-16 and 16-17**

For best practices, all Sponsors should sign a Sponsorship Agreement prior to any school activity fund procedures are performed. These Sponsorship Agreements should be approved by the Principal prior to the collection any school activity funds.

Failure to obtain Sponsorship Agreement can expose the school to unauthorized collection of funds and probability of lost/stolen funds.

Recommendation(s)

- School Leadership should ensure Sponsorship Agreements are obtained and proper training is provided to all Sponsors before any school activity fund procedures are performed.

Response

- All Sponsors will be required to complete a Sponsorship Agreement form. This form will be maintained with the SABO book. This form will be used to verify the receipt books collected at the end of the school year.

Finding #3

- **No evidence of training being administered to Sponsors by Secretary for 15-16 and 16-17**
- **New Principal did not attend training for SY 17-18 as required**

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 proper training is provided to all Sponsors and Secretary before any school activity fund procedures are performed.
- School Leadership should ensure Principal attend required training at the beginning of the school year.

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Response

- All Sponsors will be given training before receipts books are issued. A signed roster will be maintained for verification.
- Principal will attend the next scheduled training.

CASH RECEIPT ANALYSIS

Finding #4

- Monies collected from students and/or parents were held by the Sponsors between 1 to 33 days before submitting funds to Secretary for post and deposit.
- Secretary posted money in SABO under the teacher's name who paid the money instead of under the Sponsor's name who collected the money.
- Two Sponsors collected \$8,025.53 without evidence of written receipts to students and/or the use of a Receipt Collection form.

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.

The current SBS Guidelines require Sponsors to write receipts or use the Receipt Collection Form when collecting money from students/parents to verify he/she paid. Failure to account for collected funds (via receipt book or receipt collection form) upon receipt exposes the school to possible lost or stolen funds and does not provide verification to payee that he/she paid.

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 write receipts and 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.
- Secretary should post funds into SABO under the Sponsor's name for accurate record keeping and best practices.

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Response

- Sponsors have been informed that funds must be submitted daily to the Secretary to ensure timely deposits.
- Money will be posted in the Sponsor's name that collects the money.
- Sponsors will submit receipts or receipt collection forms for all money collected.

Finding #5

- Adequate supporting documentation was not kept in school files by the Secretary (i.e. check copy, SABO receipt, deposit slip, deposit analysis, receipt collection form, bank bag seal)

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

Failure to retain/attach proper documentation for deposits provides an opportunity for misuse of funds and allows for unaccounted funds.

Recommendation(s)

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

Response

- Secretary will staple all documentation for checks and receipts together to ensure that they do not come out of the sheet protector.

Finding #6

- 5 of 10 deposits (50%) were not deposited into the school's bank account within 72 hours. The funds were deposited 5 to 7 days late. (repeat finding)

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The *SBS Financial Guidelines* requires that deposits not be held in excess of 72 hours. Failure to ensure funds are deposited timely (within 72hrs) exposes the school to possible lost or stolen funds.

Recommendation(s)

- School leadership should ensure deposits are sent to the bank timely (within 72 hours of receiving the funds).

Response

- Secretary will ensure that on Tuesdays and Thursdays the deposits are accessible by the Records Clerk if she is away from her desk.

Finding #7

- 5 of 8 (63%) bank recon records were not completed by the Principal. The 5 bank recons were signed by the Principal but not dated. As such, OIC could not determine the timeliness of the review.
- 2 of 8 (25%) bank recons were signed/dated by Principal and reviewed between 23 to 27 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.

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, dated 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

- The new Principal will sign and date all bank recons.
- The new Principal will sign and date bank recons in a timely manner.

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CASH DISBURSEMENT ANALYSIS

Finding #8

- Adequate cash disbursement supporting documentation was not kept in school files by the Secretary (i.e. copy of invoices and Disbursement Request forms)
- 9 of 10 (90%) checks had no prior written approval for permission of purchase. (repeat finding)
- 1 of 10 (10%) checks was cut for the wrong amount. Check # 3318 was cut for \$503.25 and should have been cut for \$503.00. OIC noted the check was cut for 25 cents too much.

The current SBS Financial Guidelines require all disbursement requests must be submitted on a Disbursement Request Form (with all original documentation i.e. invoices or receipts) and approved by the Principal before disbursements are made. Failure to complete the form and obtain proper approval for purchases may prevent a vendor and/or an employee from receiving reimbursement.

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.

OIC noted check #3318 was generated for \$503.25 and should have been generated for \$503.00. OIC noted the check was cut for .25 cents too much. Failure to generate checks for the correct amount exposes the school to possible overpayment of funds.

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 Disbursement Request form is completed by the Sponsor, reviewed by the Secretary and approved by the Principal before checks are generated and disbursed.
- School leadership should ensure all invoice supporting documentation is kept in school files for document retention purposes.

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- School leadership should ensure checks are generated for the correct amount before disbursements are made.
- School leadership should recoup the .25 cents and ensure the school account receives credit and use of the funds as originally collected and submitted.

Response

- Secretary will secure all supporting documents with staples and place them in the sheet protector.
- The Disbursement Requests will no longer be used for prior approval as in the past. The Secretary will use Pre-Authorization Disbursement Request approval form along with the Disbursement Request form for all checks.
- Secretary will double check to ensure that checks are cut for the right amount before disbursement are made.
- The 25 cents was deposited on 9/7/17.

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