

Office of Internal Compliance

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ATLANTA
PUBLIC
SCHOOLS

Making A Difference

North Atlanta High School Final Report

June 6, 2018

Mr. Curtis Douglass, Principal
North Atlanta High School
4111 Northside Parkway, NW
Atlanta, Georgia 30327

Mr. Douglass,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by North Atlanta High School (North Atlanta). 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 North Atlanta 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, 2016 to May 11, 2018 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 minor 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. North Atlanta's response is included after each finding recommendation.

GENERAL ADMINISTRATION

Observation #1

No training provided to Secretary who assumed position January 2018. No evidence that training was administered to 26 of 26 Sponsors (100%) for SY2016-2017 and SY2017-2018.

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

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

Recommendation(s)

North Atlanta leadership should ensure that the Secretary and all Sponsors are trained prior to collecting funds from students/parents.

Response

School Secretary will receive training on SABO on 5/30/18 by Cynthia Nelson from the District Office. We will schedule training for the Secretary and the Business Manager from Budget prior to training staff on all financial procedures. During Pre-planning of every school year starting SY2018-2019, all staff and teachers will receive training by School Secretary and School Business Manager on proper procedures for collecting funds from students/parents.

Observation #2

North Atlanta leadership not adhering to the Bookkeeping Procedures Section of the *SBS Financial Guidelines*. Violations included but not limited to the following:

- Not all *Sponsorship Agreement* for SY2016-2017 and SY2017-2018 were signed by the Principal
- Return Receipt Book Date was not indicated for all receipt books on the SY2016-2017 *Sponsorship Agreement*

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.

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.

Recommendation(s)

North Atlanta leadership should ensure all *Sponsorship Agreements* are completed and signed, receipt books collected, and all Sponsors are listed on the *Sponsorship Agreement* at the beginning of each school year.

Response

As part of training of staff and faculty, we will include training on completion of the *Sponsorship Agreements* as well as procedures for signing out and back in receipt books. The Principal or School Business Manager will review and sign all *Sponsorship Agreements* to ensure adherence to this process. Each Sponsor will complete a *Sponsorship Agreement* and include date checking out the receipt book in addition to the return of all receipt books at the end of the school year.

Observation #3

OIC encountered an instance where complete financial records were unavailable for inspection and review. Receipt books from 17 of 26 Sponsors (65%) were unavailable. Three records were not available for review.

School financial records must be retained in the school for a minimum of two years and maintained in storage for an additional three years. The guidelines require all fundraising events to be approved by the Principal and Associate Superintendent prior to the activity taking place.

Failure to maintain financial records may be an attempt to cover financial improprieties and/or hide noncompliance with policies and procedures.

Recommendation(s)

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

Response

School financial records will be retained in the school for minimum of two years and maintained in storage for an additional three years. All fundraising events will be approved by the Principal or School Business Manager and Associate Superintendent prior to the activity taking place.

CASH RECEIPT ANALYSIS

Observation #4

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

- No verification of count between the Secretary and Sponsor
- 7 of 19 receipts (37%) missing support documentation (e.g., check copy, donation form/letter, receipt book receipts, School Use Permit)
- Retaining donations that will exceed \$10,000 from one benefactor; and
- Four Sponsors held monies between eleven (11) to eighty-two (82) days before submitting funds to Secretary to post and deposit.

The School Secretary must verify funds before issuing an official SABO generated receipt to the Sponsor. 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 current guidelines require donations or grants that will exceed \$10,000 from a single benefactor to be maintained, budgeted, and expended through the District's financial system (Lawson). Also, the guidelines require Sponsors to submit funds daily to the Secretary.

Failure to maintain financial records is not adhering to the maintenance and security of school financial records. Failure to submit donations that will exceed \$10,000 to Special Revenue Accounting lead to noncompliance to IRS code section 170(c) (1). Failure to verify funds and deposit collected funds daily decreases internal controls and exposes the school to possible lost or stolen funds.

Recommendation(s)

North Atlanta 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

The School Secretary will verify funds before issuing an official SABO generated receipt to the Sponsor. The Principal will be ultimately responsible for the maintenance and security of school financial records, with the assistance of the School Business Manager. An award letter, copy of check, and supporting documentation will be filed for all donations/receipts. All donations or grants that will exceed \$10,000 from a single benefactor will be maintained, budgeted, and expended through the District's financial system (Lawson). Sponsors of activities will submit funds daily to the Secretary.

Observation #5

No Secondary Reviewer identified for all deposits.

The yearly APS Financial Management Training, Principals, School Administrators, and Secretaries are instructed to have a Secondary reviewer designated to review all deposits. The Secretary and the Secondary Reviewer should sign the *Deposit Analysis Report* prior to sealing the deposit bag. 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 identify a second verifier for deposits weakens the internal controls for cash receipts.

Recommendation(s):

North Atlanta leadership should identify and use a second verifier.

Response

Either the Sponsor depositing the funds or the School Business Manager, if the School Principal is unavailable, will be the second verifier. The Sponsor will be the verifier, with the Secretary filling out the deposit ticket and sign it as the preparer, the Sponsor will sign the deposit slip as the verifier and the Secretary completes the deposit and prepares the deposit bag.

CASH DISBURSEMENT ANALYSIS

Observation #6

15 of 17 disbursements (88%) were approved without prior written authorization to purchase or invoice; did not have two written quotes for purchases over \$2,000; and/or without Budget approval for purchases over \$10,000

The *SBS Financial 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 two written quotes via phone, fax, e-mail, or catalog. Any check amounts exceeding the limit must have pre-approval of Budget.

Failure to obtain prior written approval for purchases 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 check exceeding limit may subject the school accounts to suspension.

Recommendation(s)

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

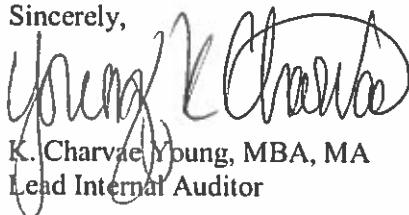
- Obtain pre-authorization to make purchases that will be submitted for reimbursement
- Obtain two written quotes for purchases over \$2,000
- Obtain Budget pre-approval for checks that exceed the \$10,000

Response

All staff will obtain written approval by the Principal prior to making purchases. All purchases from \$2,001 to \$25,000 will have two written quotes via phone, fax, e-mail, or catalog. Any check amounts exceeding the limit will have pre-approval of Budget.

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