

Office of Internal Compliance

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ATLANTA
PUBLIC
SCHOOLS

Bolton Academy Final Report

October 11, 2018

Mrs. Anita Lawrence, Principal
Bolton Academy
2268 Adams Drive NW
Atlanta, Georgia 30318

Mrs. Lawrence,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Bolton Academy (Bolton). 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 Bolton 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 July 1, 2017 to August 31, 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 lack enforcement of the *School Based Services Financial Guidelines*. Based upon the testing performed and understanding new leadership began July 2018, 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. Bolton's response is included after each observation recommendation.

GENERAL ADMINISTRATION

Observation #1

No training was administered to 27 of 27 Sponsors (100%) for SY2017-2018 and SY2018-2019.

All 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)

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

Response

Bolton leadership will ensure that all sponsors are trained prior to collecting funds from students and parents. Bolton's leadership will provide training to all Sponsors at the beginning of each school year to prevent the opportunity for unauthorized collection of monies and probability for lost/stolen funds.

Observation #2

21 of 27 Sponsors (78%) collected funds from students/parents and did not have a *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)

Bolton leadership should ensure the *Sponsorship Agreements* are completed at the beginning of each school year.

Response

Bolton leadership will ensure the Sponsorship Agreements are completed at the beginning of each school year by each Sponsor. The Sponsorship Agreements will be signed by the Principal, each Sponsor will receive a copy of his/her signed agreement and the originals will be filed in a binder in the secretary's office.

Observations #3

Complete financial records were unavailable for inspection and review. 18 of 27 receipt books (67%) were not available for 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 maintain financial records may be an attempt to cover financial improprieties and/or hide noncompliance with policies and procedures.

Recommendation(s)

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

Response

Bolton leadership will ensure that school financial records are retained at the school for minimum of two years and maintained in storage for an additional three years.

CASH RECEIPT ANALYSIS

Observation #4

Approximately \$390 in cash receipts were not deposited into SABO.

Receipts No. 294972 through 294997 dated March 29, 2018 through April 19, 2018 totaled \$1,970.00. However, only \$1,580.00 was deposited into SABO on April 19, 2018. The Secretary was unaware the funds were missing until notified by OIC in September 2018.

The current guidelines require Sponsors to submit funds daily to the Secretary. The Secretary must verify reconciliation of receipts to the receipt book and issue an official SABO receipt to the Sponsor after verifying funds.

Failure to receipt collected funds daily decreases internal controls and exposes the school to possible lost or stolen funds.

Recommendation(s)

Bolton leadership should ensure the following:

- Recoup the \$390 and deposit to the appropriate account
- Sponsors deposit daily
- Secretary reconcile receipts to the receipt book

Response

Bolton leadership will ensure that Sponsors deposit daily, as it will be outlined in the upcoming training. The Secretary will reconcile receipts to the receipt book following each deposit. After researching the \$390 mentioned in the observations, there is no documentation to support the deposit of these funds into SABO. The \$390 in question is unaccounted for and will need further investigation by the Office of Employee Relations. To address this moving forward, we will assign receipt books to specific individuals and track deposits daily.

Observation #5

Five Sponsor held monies from students and/or parents between two (2) to seventy-nine (79) days before submitting funds to Secretary to post and deposit. The Secretary does not always reconcile receipts (money received) to the receipt book.

The current guidelines require Sponsors to submit funds daily to the Secretary. The Secretary must verify reconciliation of receipt to the receipt book and issue an official SABO receipt to the Sponsor after verifying funds. The security of 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. Failure to reconcile receipts to funds submitted by Sponsors exposes the school to possible lost or stolen funds.

Recommendation(s)

Bolton leadership should ensure the Secretary and all Sponsors follow the procedures outline in the Receipts and Collections section of the *SBS Financial Guidelines*.

Response

Bolton leadership will ensure the Secretary and all Sponsors follow the procedures outlined in the Receipts and Collections Section of the *SBS Financial Guidelines*. The Sponsors will submit funds daily when collected from parents and students along with corresponding receipts from the assigned receipt books provide by the Secretary.

The Secretary and Sponsor will verify funds to receipts for deposit; a SABO receipt will be issued once funds are verified; the deposit will be made in SABO; the funds will go in a deposit bag and will be sealed; and the deposit analysis will be printed, signed by the Secretary and initialed by the Sponsor before submitting to the Principal for a signature.

Observation #6

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

- **12 of 13 receipts (92%) did not have verification of the count between the Secretary and the Sponsor**
- **4 of 13 receipts (31%) missing support documentation (e.g., *Receipt Collection Form*, *Donation Form*/letter, check copy)**

The *Deposit Slip Detail Form* is used to verify denomination of funds submitted to the Secretary by the Sponsor. The current guidelines require the Sponsor to provide a pre-numbered receipt or complete a *Receipt Collection Form* when collecting monies from students/parents. Guidelines require an award letter, copy of check, and supporting documentation to be filed for donations.

Failure to use the *Deposit Slip Detail Form* provides no proof of verification of the denomination of funds submitted to the Secretary by the Sponsor. Failure to properly complete the *Receipt Collection Forms* or issue a receipt may expose the school to possible lost or stolen funds collected from parents/students. Failure to obtain and retain letter/*Donation Form* provides an opportunity for donated funds to be misused.

Recommendation(s)

Bolton leadership should ensure the Secretary and all Sponsors follow the procedures outline in the Administrative Responsibilities and Receipts and Collections section of the *SBS Financial Guidelines*.

Response

Bolton leadership will ensure the Secretary and all Sponsors follow the procedures outlined in the Administrative Responsibilities and Receipts and Collections section of the *SBS Financial Guidelines*. The Secretary and Sponsor will verify funds to receipts for deposit; a SABO receipt will be issued once funds are verified; the deposit will be made in SABO; the funds will go in a deposit bag and will be sealed; and the deposit analysis will be printed, signed by the Secretary and initialed by the Sponsor before submitting to the Principal for a signature.

Observation #7

3 of 5 Bank Reconciliation Reports (60%) were reviewed and signed by the Principal after 12 to 50 days. No second verifier identified 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 15th of each month. 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 identify a second verifier for deposits weakens the internal controls for cash receipts.

Recommendation(s):

Bolton leadership should ensure *Bank Reconciliation Reports* are reviewed, signed, and returned in a timely manner. Also, Douglass leadership should identify a second verifier.

Response

The Principal will review the monthly *Bank Reconciliation Report* in its entirety, sign each page requiring a signature and e-mail the signed report in a timely manner to the Assistant School Based Business Partner, Accounting.

CASH DISBURSEMENT ANALYSIS

Observation #8

8 of 12 disbursements (67%) were without prior written approval from the Principal (e.g., *Disbursement Pre-authorization Request*). Also, all *Reimbursement Requests Forms* were completed by the Secretary and not the individual requesting the disbursement.

The *SBS Financial Guidelines* require that employee reimbursements require evidence of prior written approval by the Principal prior to purchase.

Failure to obtain prior written approval for purchases and proper supporting documentation may prevent an employee from receiving the reimbursement. Failure to have employees complete and sign *Disbursement Request Forms* decreases internal controls and provides a possibility of improper disbursement of funds.

Recommendation(s)

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

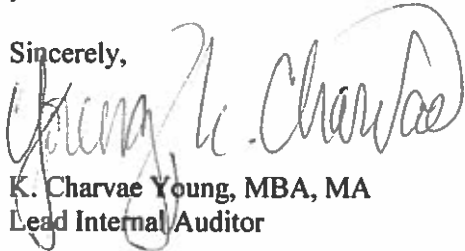
- Employees receive prior written approval to the purchase of items they plan to seek for reimbursement
- Employee should complete and sign their own *Disbursement Request Forms*

Response

Bolton leadership will require written approval from the Principal prior to making a purchase for school activities and to be reimbursed from school funds. The employee requesting the reimbursement will complete a *Pre-authorized Disbursement Request* and submit it along with supporting receipts for approval by the Principal. The employee will complete and submit the *Disbursement Request Form* to complete the process for reimbursement.

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