

## Office of Internal Compliance

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### Maynard Holbrook Jackson High School (MHJ) Final Report

May 20, 2020

Dr. Adam Danser, Principal  
Maynard Holbrook Jackson High School  
801 Glenwood Avenue SE  
Atlanta, Georgia 30316

Dr. Danser,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Maynard Holbrook Jackson High School (MHJ). 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 MHJ to perform cash collections derived from school based activities and to determine whether disbursement processes were performed according to established procedures documented in the *Atlanta Public Schools (APS) Finance Policies and Procedures Manual*.

#### **Audit Scope**

The scope of the audit includes the review of financial records from July 1, 2019 to January 31, 2020 for elementary, middle schools and high schools.

#### **Audit Procedures**

We performed the following tests to achieve our objective:

- Analyzed the audit questionnaire;
- Surveyed and interviewed selected school personnel;
- Tested a sample of receipts from collection approval to bank deposit;
- Tested a sample of disbursements from request to approval/disbursement; and
- Reviewed bank reconciliations for abnormal reconciling transactions.

#### **Audit Conclusion**

The controls to ensure proper cash handling of funds, recording and depositing of the cash, and the disbursement of funds are not effective and require re-enforcement to mitigate the following risks:

- Unauthorized collection of funds;
- Unauthorized and inaccurate count of funds;
- Unauthorized fundraising;
- Unauthorized disbursement of funds; and
- Inaccurate bank reconciliations.

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 Training, Cash Management, Fundraisers, Check Disbursements, and Monthly Bank Reconciliations. MHJ's response is included after each observation recommendation.

## TRAINING

### **Observation #1**

**7 of 24 Sponsors (29%) did not attend the school cash activity training conducted by School Administration.**

The *Atlanta Independent School System Finance Policies and Procedures Manual* requires all Sponsors to have training to manage school activity funds and collect fees.

Untrained Sponsors provide the opportunity for unauthorized collection of monies and a probability for lost/stolen funds.

### **Recommendation(s)**

MHJ leadership should consider developing and implementing a process to monitor the attendance of each Sponsors' participation in the required training. Also, leadership should ensure that Sponsors do not collect any school activity funds and fees from students/parents prior to training.

**Implementation Plan:** School Administration will conduct a school cash activity training open to all interested in Sponsorship. *Sponsorship Agreements* will be given at the conclusion of the training. Attendance will be monitored both by sign-in and confirmed via *Sponsorship Agreements* collected. Only individuals with a signed *Sponsorship Agreement* on file and subsequent Principal approval will be authorized to receive a receipt book and collect money. (No receipt books will be distributed without cross checking for training/completed documents.) Anyone wishing to become a Sponsor post training will have to make arrangements to receive said training which will conclude in a signed *Sponsorship Agreement*. No exceptions. Moreover, in order to enforce implementation, this component should be added to the faculty evaluation, i.e. did you conduct money practices in accord with school policy?

**Implementation Date:** August 2020

**Person Responsible for Implementation:** School Principal, School Business Manager and School Secretary

## CASH MANAGEMENT

### **Observation #2**

**11 of 24 Sponsors (46%) did not have a *Sponsorship Agreement* form on file and/or no evidence of a receipt book being issued.**

The *Atlanta Independent School System Finance Policies and Procedures Manual* requires all Sponsors to sign a Sponsorship Agreement to properly document the principal's approval of activities, designation of approved sponsors, and documentation of the assigned receipt books.

Absence of approval by the Principal and agreement by the Sponsor provides an opportunity for unauthorized collection of monies and a probability for lost/stolen funds.

### **Recommendation(s)**

MHJ leadership should consider developing and implementing a process to ensure the Sponsor's completion and the Principal's approval of all *Sponsorship Agreements* before any activity or fundraiser is conducted at the school.

**Implementation Plan:** Only individuals with a signed Sponsorship Agreement on file and subsequent Principal approval will be authorized to receive a receipt book and collect money. MJHS will increase the use of online payments in an effort to decrease the amount of cash collected from students. Club/organization online accounts will be activated only after club/organization sponsor(s) has completed required training, required sponsorship agreement form and has written approval from Principal.

**Implementation Date:** August 2020

**Person Responsible for Implementation:** School Principal, School Business Manager and School Secretary

**Observation #3**

**Upon review of the *Receipt Register* and interviews with the school Athletic Director and Coaches, OIC noted that basketball, cheerleading, and track/field student athletes paid sport fees/dues to the Booster Club and did not deposit funds with the Secretary. The Principal and the Athletic Director were aware of this practice.**

The *Atlanta Independent School System Finance Policies and Procedures Manual* requires all Sponsors to turn in all monies collected to the secretary or designee on the same day funds are collected. Also, the manual states that Booster Clubs funds should never be comingled with student activity funds.

Comingling school activity funds with Booster Club funds risk those funds not being used for the educational purpose for which the monies were collected.

**Recommendation(s)**

MHJ leadership should ensure any remaining school activity funds in the Booster Club possession should be returned to the school and deposited to the appropriate school activity funds. Also, MHJ leadership should consider developing and implementing a process to ensure all funds collected from student/parents for school activities are submitted to the Secretary.

**Implementation Plan:** Athletic Director will confirm knowledge of the practice that all money collected from students/parents must be receipted into SABO, by acknowledging via signature on document outlining the necessary process. In addition, all money collected in athletics will be strictly online; ensuring Secretary's confirmation of all money received from students and parents. The MJHS Booster Club will write a check to MJHS Athletics to be deposited into athletic school activity funds, for any remaining funds in Booster Club accounts.

**Implementation Date:** May 2020

**Person Responsible for Implementation:** Athletic Director/Coaches, School Principal, School Business Manager and School Secretary

**Observation #4**

**The Receipts and Collections section of the *Atlanta Independent School System Finance Policies and Procedures Manual* was not performed consistently as follows:**

- **12 of 13 receipts (92%) were verified for deposit by the same person who received and recorded the cash;**
- **11 of 13 receipts (85%) with incomplete or missing support documentation;**
- **4 of 13 receipts (31%) were sent to the bank before posting to SABO;**
- **Sponsor/Secretary held funds between 1 to 20 days;**
- **Secretary wrote receipts from receipt book to Sponsors; and**
- **Secretary receipted self when posting several Sponsors' receipts to SABO which misrepresented the source of funds.**

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 approves (verifies) the bank deposit.

The *Atlanta Independent School System Finance Policies and Procedures Manual* requires supporting documentation to be filed for receipts. Also, the current manual requires the Secretary to verify reconciliation of receipts to the receipt book and issue an official SABO receipt to the Sponsor after verifying funds.

Inappropriate segregation of duties during bank deposit preparation will increase the risk of fraud by theft of funds. Also, noncompliance with the following requirements may expose the school to possible lost or stolen funds:

- Maintenance and security of school financial records;
- Submittal of funds daily;
- Reconciliation of receipts to funds submitted by Sponsors; and
- Issuance of an official SABO receipt to each Sponsor.

**Recommendation(s)**

MHJ leadership should consider developing and implementing a process to ensure that the procedures outlined in the Administrative Responsibilities and the Guidelines for School Receipts and Collection sections of the *Atlanta Independent School System Finance Policies and Procedures Manual* are followed to include but not limited to:

- Identifying a second verifier;
- Including a Ticket Report form and Ticket Taker Report for monies collected for Athletic Events;
- Including a Letter or *Donation form* for donations;
- Posting funds to SABO before Brink services pickup;
- Ensuring all monies collected are turned in to the secretary or designee on the same day funds are collected;
- Issuing a SABO generated receipt instead of the Secretary writing receipts from a receipt book; and
- Issuing a SABO generated receipt to each Sponsor to reflect the funds submitted.

**Implementation Plan:** School Administration will designate a second verifier. In addition, we will implement the recommendation of a *Ticket Report Form* and *Ticket Report*, as well as a *Donation Form*, respectively. Furthermore, the Secretary will have designated time for money collection and proper processing of those funds. Subsequently, Sponsors will have until a certain cut-off time each day, before the Secretary begins the processing of funds. Secretary will solely provide a SABO issued receipt. Processing of funds will commence an hour before the end of each school day. Additionally, on days of Brinks services, Secretary will also have an hour prior to Brinks visit to review documentation and ensure overall efficacy (due to varied Brinks arrival this should be the first task on pick-up days). All money collecting/fundraising activity dates must be reported. Consequently, individuals consistently not prioritizing turning in money in accord with the dates provided will be subject to loss of Sponsor privileges.

**Implementation Date:** June 2020

**Person Responsible for Implementation:** School Principal, School Business Manager and School Secretary

**FUNDRAISER**

**Observation #5**

**Although MHJ conducted multiple fundraisers, there were no *Request for Fund Raising Project Forms* available for review during the audit.**

The *Atlanta Independent School System Finance Policies and Procedures Manual* requires all fundraising events to be approved by the associate superintendent and the school principal before the activity takes place.

Absence of approval by the Principal and Associate Superintendent provides an opportunity for unauthorized collection of monies and a probability for lost/stolen funds.

**Recommendation(s)**

JLIA leadership should consider developing and implementing a process to obtain and secure approvals for all fundraisers before the event begins.

**Implementation Plan:** Sponsors will learn through training the necessary documentation needed, e.g. *Request for Fund Raising Project Forms*, the proper approval process and its associated timeline. Anyone operating fundraisers

without proper documentation and approval will be subject to disciplinary actions. Secretary will maintain records of the documentation (preferably through a scanning device/system that maintains a digital record for backup).

**Implementation Date:** July 2020

**Person Responsible for Implementation:** School Principal, School Business Manager and School Secretary

## CHECK DISBURSEMENTS

### **Observation #6**

**5 of 12 checks (42%) did not have proper approval by the Principal prior to purchase. Also, supporting documentation was missing for 2 of 12 checks (17%).**

The *Atlanta Independent School System Finance Policies and Procedures Manual* requires all Student Activity Banking Online (SABO) purchases to have written approval by the Principal prior to any proposed purchase and purchase using the required *Disbursement Preauthorization Request Form*. Also, the manual requires *Reimbursement Requests Forms* be presented with all original documentation (e.g., invoices, itemized receipts, sales slips).

Absence of prior written approval by the Principal prior to proposed purchases and proper supporting documentation may prevent an employee/Sponsor from receiving reimbursement and may obligate the school without the Principal's knowledge.

### **Recommendation(s)**

MHJ leadership should ensure employees follow the *Atlanta Independent School System Finance Policies and Procedures Manual* to include but not limited to:

- Obtain pre-authorization to make purchases that will be submitted for check disbursements and
- Submit all appropriate documentation that clearly justifies his/her reimbursement.

**Implementation Plan:** All pre-authorization forms must be submitted as formal request. Faculty will be made aware of the turn-around time for disbursements. (All staff will be given copies of *Disbursement Preauthorization Request Form* and *Reimbursement Requests Forms*.) Anyone seeking to circumvent the time will be directed to the Principal or designee responsible for approvals in Principal's stead.

Disbursements will be processed in accord with a pre-authorization form. Reimbursements will only be processed for individuals providing supporting purchase documentation, i.e. receipt(s). Secretary will be responsible for maintaining record of documentation (preferably through a scanning device/system that maintains a digital record for backup).

**Implementation Date:** May 2020

**Person Responsible for Implementation:** School Principal, School Business Manager and School Secretary

## MONTHLY BANK RECONCILIATIONS

### **Observation #7**

**3 of 3 Monthly Bank Reconciliations (100%) did not have the required comments noted on the front page or were missing supporting documentation as follows:**

- **Comments related to journal entries made by accounting services during the month, as well as reconciling items, were not included on the face of the reconciliation for September and November 2019. In addition, support for the missing items was not contained in the reconciliation packet;**
- **No *Trial Balance Report* was included in the July 31, 2019 reconciliation packet; and**
- **The incorrect *Trial Balance Report* was included in the September 30, 2019 reconciliation packet.**

**Note: The *Bank Reconciliations* were determined to be correct after obtaining explanations from Accounting Services and reviewing the proper *Trial Balance Reports* and associated SABO system activity.**

The *Atlanta Independent School System Finance Policies and Procedures Manual* requires the following:

- Accounting Services should provide all comments to assist and provide the Principal with enough information to conduct additional research prior to signing.
- Principals to certify the accuracy of the reports and acknowledge that the account balances have been reviewed.
- A complete Bank Reconciliation packet should contain any journal entries processed by Accounting Services to reconcile the account.

Not performing a thorough review of the *Bank Reconciliation* may result in unreliable accounting records and inaccurate financial reporting.

**Recommendation(s):**

MHJ leadership should review the *Monthly Bank Reconciliation Packets* to ensure the accuracy of the reports and account balances. Accounting Services should ensure all comments are accurate in the comment section and all support documentation are included in the *Monthly Bank Reconciliation Packet*.

**Implementation Plan:** Once documents are received from accounting services, they will be reviewed for accuracy (reporting of funds) and completion (necessary documents included). If any of the aforementioned discrepancies are found, Principal or designee approval signature will be withheld until rectified. The Secretary will maintain record of files (preferably through a scanning device/system that maintains a digital record for backup).

**Implementation Date:** May 2020

**Person Responsible for Implementation:** School Principal, School Business Manager and School Secretary

We want to thank you and your school personnel for their warm welcome and participation throughout this process.

Sincerely,

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