

Office of Internal Compliance

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John Lewis Invictus Academy (JLIA) Final Report

May 20, 2020

Mr. Shevan Howard, Interim Principal
John Lewis Invictus Academy
1890 Donald Lee Hollowell Pkwy NW
Atlanta, Georgia 30318

Mr. Howard,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by John Lewis Invictus Academy (JLIA). 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 JLIA 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; and
- Inaccurate and unauthorized 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, and Monthly Bank Reconciliations. JLIA's response is included after each observation recommendation.

TRAINING

Observation #1

John Lewis Invictus Academy (JLIA) Middle School did not administer the school cash activity training to the Sponsors. There were several Sponsors collecting school activity funds from students and parents.

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)

JLIA leadership should consider developing and implementing a process to administer and 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: Sponsors will be trained each school term using the bullet points outlined on the *Sponsorship Agreement (Roles & Responsibilities)* form. There will be an initial overview training with the aggregate instructional staff during pre-planning prior to the first day of school. Each staff member in attendance will be required to sign off on a sign-in sheet attesting that they have been instructed on the steps to being properly authorized to collect funds and the procedures for remitting the funds collected. Any individuals that were not present as indicated on the initial staff sign in sheet will be assembled separately for make-up training no later than by the 2nd week of school to be trained on cash handling protocols and the roles and responsibilities of becoming and remaining a Sponsor. The sign in sheet will state that each signee attests to having received a blank copy of the *Sponsorship Agreement (Roles & Responsibilities)* form that outlines cash handling requirements.

During this initial staff training, it will be emphasized that proper authorization, including a fully executed fundraiser request form and/or a *Sponsorship Agreement (Roles & Responsibilities)* form signed by the Principal, is required before anyone is permitted to collect funds. It will further be stated that all staff members are mandated to report any suspicions of unauthorized fund collections to the Principal or

the Principals designee. Front office staff members, B. Kirkpatrick and W. Jacobs, will be responsible for ensuring that the instructional staff receives this initial training as evidenced by a completed sign-in sheet.

Following the initial blanket training, individual staff members that have successfully received full authorization for a sponsorship activity will receive individualized training using the bullet points outlined on the *Sponsorship Agreement (Roles and Responsibilities)* form. This will serve as a 2nd level of monitoring to ensure that every authorized Sponsor that should have received formal training actually receives training. Each line item will be read to the Sponsor with the opportunity for the Sponsor to ask detailed questions regarding the statements.

Upon clear understanding of the document by the Sponsor, the document will be signed by both the Sponsor and the Principal and filed in a pre-organized binder that will contain a complete packet for each fundraising/collection activity. A copy of the dually executed *Sponsorship Agreement* will be given to the Sponsor for their records and future reflection. Additionally, the role of the *Receipt Book and Receipt Collection Form* will be discussed in detail. Upon complete approval, by all required parties, being reflected on the formal *Request for Fundraising Project* form, the *Sponsorship Agreement (Receipt Book Logout)* form will be completed and a receipt book will be issued, if applicable.

Implementation Date: July 2020

Person Responsible for Implementation: S. Howard (Interim Principal); B. Kirkpatrick (Bookkeeper/Secretary); W. Jacobs (Front Office)

CASH MANAGEMENT

Observation #2

The Bookkeeper did not obtain any *Sponsorship Agreement* forms on file and had no evidence of receipt books being issued to the Sponsors.

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)

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

Implementation Plan: Following the initial blanket staff training, individual staff members that have successfully received full authorization for a sponsorship activity will receive individualized training using the bullet points outlined on the *Sponsorship Agreement (Roles and Responsibilities)* form. This will serve as a 2nd level of monitoring to ensure that every authorized Sponsor that should have received formal training actually receives training. Each line item will be read to the Sponsor with the opportunity for the Sponsor to ask detailed questions regarding the statements.

Upon clear understanding of the document by the Sponsor, the document will be signed by both the Sponsor and the Principal and filed in a pre-organized binder that will contain a complete packet for each fundraising/collection activity. A copy of the dually executed *Sponsorship Agreement* will be given to the Sponsor for their records and future reflection. Additionally, the role of the *Receipt Book and Receipt Collection Form* will be discussed in detail.

Upon complete approval, by all required parties, being reflected on the formal *Request for Fundraising Project* form, the *Sponsorship Agreement (Receipt Book Logout)* form will be completed and a receipt book will be issued, if applicable. B. Kirkpatrick will be responsible for ensuring that fully executed *Sponsorship Agreement (Roles and Responsibilities)* forms are collected from all authorized Sponsors. W. Jacobs will serve as the primary 2nd verifier for deposits, when available, and will subsequently be tasked with the responsibility of additionally monitoring that all *Sponsorship Agreement (Role and Responsibilities)* forms have been collected from anyone authorized to collect funds.

Implementation Date: July 2020

Person Responsible for Implementation: S. Howard (Interim Principal); B. Kirkpatrick (Bookkeeper/Secretary); W. Jacobs (Front Office)

Observation #3

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

- **11 of 12 receipts (92%) were verified for deposit by the same person who received and recorded the cash;**
- **6 of 12 receipts (50%) had incomplete or missing support documentation; and**
- **Sponsors held funds between 1 to 20 days.**

The Principal is responsible for the maintenance and security of school financial records. The manual requires a *Deposit Analysis Report*, receipts or *Receipt Collection* forms, SABO generated receipts, Ticket Report, Ticket Taker Report, and supporting documentation to be filed for receipts. Also, the manual requires the Sponsors to deposit daily.

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.

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

- Maintenance and security of school financial records and
- Submission of funds daily.

Recommendation(s)

JLIA 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 Ticket Report form and Ticket Taker Report for monies collected for Athletic Events;

- Including Letter or *Donation form* for donations; and
- Ensuring all monies collected are submitted to the secretary on the same day funds are collected.

Implementation Plan: All deposits will be counted by a 2nd verifier prior to sealing the bank deposit bag. The 2nd verifier will count the funds for accuracy, then initial the deposit slip prior to witnessing the bag and its deposited contents being sealed and safely stored for courier transport.

Support documentation, including *Donation Forms* will be completed and filed with all deposits that include any form of donation. Additionally, the requirement of daily fund submission will be reiterated to active Sponsors. If a Sponsor falls into a non-compliant situation, they will receive an emailed notice of warning that includes the Principal on the communication. If non-compliance is repetitive, their *Sponsorship Agreement* will be referred to the Principal for further disciplinary action.

Implementation Date: July 2020

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FUNDRAISERS

Observation #4

3 of 3 *Request for Fund Raising Project Forms* (100%) did not have Principal and/or Associate Superintendent approval.

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 the unauthorized collection of monies and an increased probability for lost/stolen funds.

Recommendation(s)

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

Implementation Plan: The process for requesting a fundraiser event will be outlined in the JLIA staff handbook. To initiate a fundraising activity, staff members must complete the *Request for Fundraising Project* form that can be located in the Main Office break room. This form should be submitted to the School Secretary for tracking and will be forwarded to the Principal for initial approval or denial. If approved, the form will be forwarded by the School Secretary to the Associate Superintendent's office for approval, denial, or escalation if necessary.

It will be clearly communicated to all requesting staff members that no fundraising activities may begin until they have received a signed copy of the *Request for Fundraising Project* form with no less than the Principal and Associate Superintendent's signatures in place.

Implementation Date: July 2020

Person Responsible for Implementation: S. Howard (Interim Principal); B. Kirkpatrick (Bookkeeper/Secretary)

MONTHLY BANK RECONCILIATIONS

Observation #5

2 of 3 *Monthly Bank Reconciliations* (67%) tested were not returned to Accounting Services within seven (7) business days and/or were missing support documentation. In addition, the following was noted:

- **No *Trial Balance Report* was included in the July 2019 reconciliation and**
- **The wrong *Trial Balance Report* was included in the September 2019 reconciliation.**

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:

- Principals to certify the accuracy of the reports and acknowledge that the account balances have been reviewed and
- A complete *Monthly Bank Reconciliation Packet* contains the *Trial Balance Report*.

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

Recommendation(s):

JLIA leadership should review the *Monthly Bank Reconciliation Packet*; sign the forms that requires his/her signature; and email those documents to Accounting Services within seven business days of receipt. Accounting Services should ensure all support documentation are included in the *Monthly Bank Reconciliation Packet*.

Implementation Plan: B. Kirkpatrick will effectively monitor emails and communicate with the Principal regarding the expected timeline for the *Monthly Bank Reconciliation Packet* to be received and returned, and ensure that the *Monthly Bank Reconciliation Packet* is printed, signed, and returned within 7 business days of receipt.

As a check and balance for accuracy, B. Kirkpatrick will send an email inquiry to Accounting Services to inquire about what documents comprise the fully assembled *Monthly Bank Reconciliation Packet* and further inquire as to why these specific reports were chosen to complete the packet. Following receipt of the explanation, B. Kirkpatrick will do a quality control check of each monthly packet that is forwarded from Accounting Services to ensure that the correct documents were forwarded for approval.

Implementation Date: July 2020

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

Sincerely,

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Connie Brown, CPA, CIA, CRMA
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