



Atlanta Public Schools

**Internal Audit of the
Miscellaneous Cash Activity
Account Fund**

June 2024

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June 25, 2024

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Pursuant to our Statement of Work (SOW) signed on August 28, 2023, Carr, Riggs & Ingram (“CRI”, “us” or “we”) hereby submit the results of our internal audit related to the schools’ Miscellaneous Cash Activity Account Fund (MCAAF). In this report, we will propose any recommendations to improve financial management, accounting procedures, and internal controls.

Our services were performed in conformity with Statements on Standards for Consulting Services of the American Institute of Certified Public Accountants (AICPA), and did not constitute an audit in accordance with generally accepted accounting standards. Accordingly, we express no opinion on any of the items reviewed.

The results of CRI’s testing are included in this report and are based on the scope of work included in CRI’s SOW dated August 18, 2023.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the observations and testing results related to our internal audit of the MCAAF.
Background	This provides a general overview of the MCAAF.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of our approach.
Observations Matrix	This section provides the results of our internal audit procedures, including any recommended actions and management’s response.

Because of the special nature of our services under the applicable scope of work, this report is intended solely for use by the Executive Director – Internal Compliance, the Office of the Chief Financial Officer, the Audit Committee and the School Board of APS, and is not intended to be and should not be used by anyone other than these parties.

We disclaim any intention or obligation to update or revise the observations contained herein, whether as a result of new information, future events, or otherwise. Should additional documentation or other information become available that impacts the observations made in this report, we reserve the right to amend our observations and summary documents accordingly.

We would like to thank all those involved in assisting the Internal Auditors in connection with the internal audit of the schools' Miscellaneous Cash Activity Account Fund.

Respectfully Submitted,

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC



Executive Summary

Executive Summary

Overview

Student activity funds (or MCAAF) are defined by Atlanta Public Schools (APS) as “funds consisting of resources received and held by each school to be expended in accordance with conditions of the fund. Specifically, they are all monies accumulated from student activity programs and various school approved fund-raising activities. The basic rule for student activity funds is any funds received for a specific purpose shall be disbursed only for that purpose.”

Objective

The objectives of the audit were to document the processes utilized by the schools 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*.

Observations

Observation ratings are a subjective evaluation of the severity of the concern and the potential impact on the operations. An observation rating of “High” represents an issue of immediate concern and could cause significant operational issues if not addressed soon. A “Moderate” rating is an issue that may also cause operational issues and does not require immediate attention but should be addressed as soon as possible. Observations given a “Low” rating could escalate into operational issues but can be addressed through the normal course of conducting business.

The following is a summary of observations noted.

Ratings by Observation	Risk Rating
1. <i>Finance Policies and Procedures Manual.</i>	High
2. <i>Segregation of Duties.</i>	High
3. <i>Sponsor Training and Signed Sponsorship Agreements.</i>	High
4. <i>Supporting Documentation.</i>	High
5. <i>Restricted Accounts.</i>	High
6. <i>Documentation of Verification of the Count of Funds.</i>	High
7. <i>MCAAF Training.</i>	Moderate
8. <i>Checks Received by Mail.</i>	Low

Executive Summary

In the development of action plans to address the observations made in this report, we have the following over-arching recommendations for consideration:

School Leadership Recommendations

- **Regular Reinforcement.** Reinforcement of compliance through regular reminders, updates and refreshers. This can be done through emails, team meetings, and internal newsletters.
- **Ongoing Support and Supervision.** Assign mentors or supervisors to guide employees and answer any questions.
- **Monitoring and Evaluation.** Implement monitoring systems to track adherence to guidelines. Use spot checks of documentation, performance reviews, and feedback mechanisms to assess compliance.
- **Feedback Loop.** Create a feedback loop where employees can voice concerns or suggest improvements. This helps in refining guidelines and ensuring they are practical and relevant.

District Leadership Recommendations

- **Principals In-Training.** Include a module on financial stewardship, to include but not be limited to MCAAF guidance.
- **On-going Communications.** As Accounting Services identifies non-compliance issues, prompt communication through email or internal memos should be made. These communications would range from communication to a specific school regarding compliance issues noted in the bank reconciliation process to a broadcast communication to all schools as a reminder on an existing or a modified procedure.
- **Enhanced Comprehensive Training Sessions.** Consider more hands-on activities to accommodate the different skill levels for secretaries, bookkeepers and principals.



Background

Background

The Georgia Department of Education acknowledges the significance of student activity funds, noting in Section V, Chapter 4 of their Financial Management of Georgia LUAS Manual, “*most school districts have cash funds or bank accounts at individual schools under the control of school principals or club advisors.*”

The student activity funds of APS are used to support extra-curricular or co-curricular activities and can have restricted or discretionary uses, depending on the source of the funds. Monies generated by and for students can only be expended for the benefit of students for educational or student support purposes (1934-56 Op Attorney Gen P. 269). Funds collected by faculty or are designated by the donor as discretionary have more latitude in their use. Regardless of whether the funds are restricted or discretionary, the schools have a responsibility to the public to safeguard the funds and to provide reliable financial information on the expenditure of these funds.

APS Board Policy requires an internal audit of the MCAAF to determine whether processes utilized at the individual schools to perform cash collections derived from school-based activities and cash disbursements of these funds were performed according to established procedures documented in the *Atlanta Independent School System Finance Policies and Procedures Manual*.

The MCAAF internal audit included compliance testing of 62 individual schools – 39 elementary schools, 10 middle or K-8 schools, 9 high schools and 4 non-traditional schools. One school, however, was unable to provide documentation for the fiscal year covered in the scope of this audit; therefore, testing was able to be performed at 61 individual schools.

School-based Activities

The MCAAF activity funds account for the assets of the public schools and provide information for the public through a uniform financial accounting system to meet the legal requirements set forth by the State Board of Education and APS.

As stated in Section 1.2 of the *Atlanta Independent School System Finance Policies and Procedures Manual*, the school principal is personally responsible for the proper collection, disbursement and control of all MCAAF activity monies relative to the funds in his/her trust. Accounting for MCAAF activity is the responsibility of a school secretary or bookkeeper at each school site, under the oversight of the school principal. The secretaries/bookkeepers use SchoolFunds Online (SFO) software to account for MCAAF transactions. Each school site has its own MCAAF bank account(s) and monthly reconciliation of those accounts is performed by personnel from the APS Office of the Chief Financial Officer.

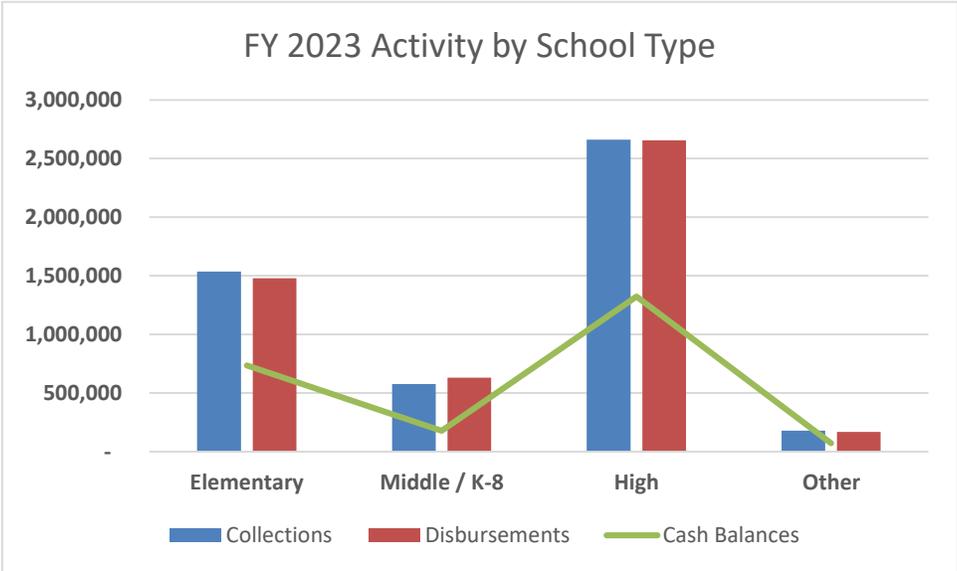
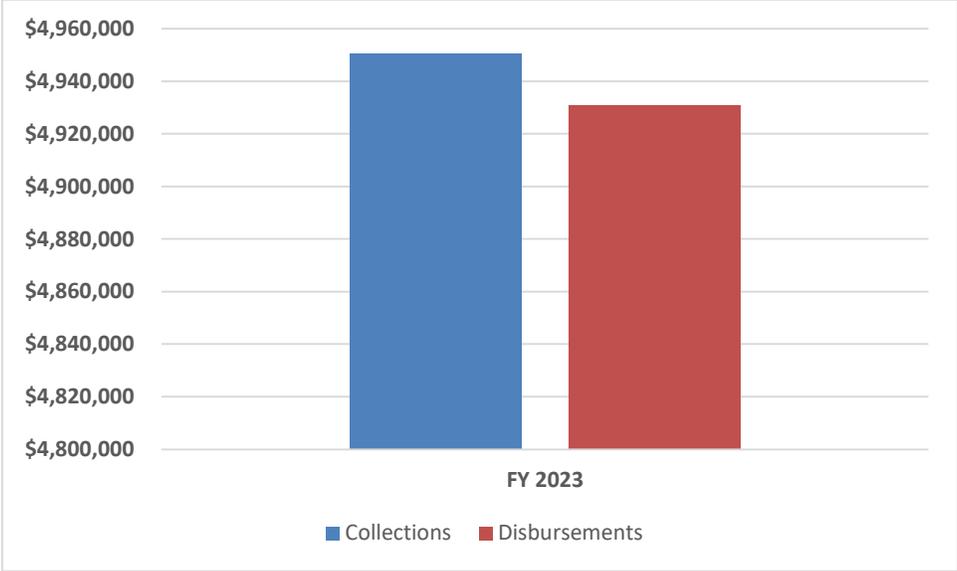
All teachers or sponsors involved in the collection of student activity funds must be APS employees.

MCAAF Audits

The MCAAF of all APS schools are subject to audit by the Office of Internal Compliance as a means of identifying areas in need of improvement. Audits are presented to the Audit Committee, school principals, the Chief of Schools and Academics, the Chief Financial Officer and the Associate Superintendents. Audits are a control measure used to assure school leaders the procedures for handling funds obtained through school-based activities appear to be adequate for the protection of school leadership, their personnel and the school’s assets.

Current Year Activity

As previously noted, the scope of this internal audit included transactions that occurred during the fiscal year ended June 30, 2023. For that time period, the schools collected and disbursed approximately \$4.9 million in student activity funds, ending the year with cash balances totaling \$2,303,511.



Source: the information in the above graphs was obtained from trial balance reports for the fiscal year ended June 30, 2023 for each individual school generated from SchoolFunds Online.



Objectives and Approach

Objectives and Approach

Objectives

Objectives of the current internal audit of the MCAAF:

<input type="checkbox"/> Determine the compliance of school-based activities with: <ul style="list-style-type: none">• State Board of Education: Financial Management for Georgia Units of Administration Section V, Chapter 4, School Activity Accounts;• APS Policies and Procedures; and• APS Financial Services Guidelines.
<input type="checkbox"/> Tests of the accounting records and other auditing procedures at each school and determine compliance with APS policies and State regulations.
<input type="checkbox"/> Identify areas where improvements may be needed and provide recommendations for such improvements.

Approach

Our internal audit approach consisted of three phases:

Understanding and Documentation of the Process

During the first phase, we held an entrance conference with the Executive Director of the Office of Internal Compliance and other personnel to discuss the scope and objectives of the internal audit work, obtain preliminary data, and establish working arrangements. We then conducted a brainstorming session with all audit team members to discuss our audit strategy and audit risks identified during the planning process.

Detailed Testing

We performed testing procedures based on our understanding of the MCAAF processes. Our procedures included observation, inquiry, testing of individual transactions and such other audit procedures necessary to accomplish the objectives of the internal audit. The number of items sampled and the extent to which sampling was used was based on our evaluation of the internal control risks and the nature of the account balances or transactions. The time period covered was July 1, 2022 through June 30, 2023.

Reporting

At the conclusion of our audit, we summarized our findings related to the MCAAF. We conducted an exit conference with the Office of Internal Compliance, the Chief of Schools and the Office of the Chief Financial Officer. We have incorporated Management's responses into our report.



Observations

Rating: High	1. Finance Policies and Procedures Manual
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Observation

During our testing, we noted the *Atlanta Independent School System Finance Policies and Procedures Manual* has not been updated since June 27, 2018. In the interim, procedures have been informally updated in response to COVID protocols and technology changes. Per our discussion with Accounting Services, communications have been sent to the schools on procedure changes; however, these modified procedures have not been formally memorialized in the *Finance Policies and Procedures Manual*. As a result, procedures as described in the manual are not in alignment with actual procedures being used on school sites. For example:

- **SchoolCash Online** – there was prevalent use of SchoolCash Online for collection of student activity funds. The procedures manual refers to Online School Payments (OSP) as the online payment solution. SchoolCash Online reports were provided by Accounting Services to the schools; however, there was inconsistent use of these reports as support for the receipts in the deposit packet. For the schools that were unable to provide the SchoolCash Online report for the sampled receipt, we were not able to determine whether the receipts were posted to the appropriate student activity account.
- **Admission Events** – post-COVID, most admission events identified during our testing – including athletic competitions – used online ticket solutions. Procedures around use of online ticket solutions differed from the procedures outlined in the procedures manual.
- **Broken Links to External Materials** – links to some Board Policies or other external sites are no longer functional and need to be updated. For example, the links to the Board Policy DJEA and to the Vendor Registration Packet on the APS website found on page 13 of the manual return processing errors when used. Further, page 12 of the manual refers to a “link to the Accounting Services e-module training is below,” but there is no link present.

An up-to-date policies and procedures manual is an essential component of the control system to provide for compliance with District policies and state regulations and for consistency between schools. A current policies and procedures manual is also a valuable resource for new secretaries that have not been privy to prior communications regarding changes to procedures.

Recommended Action

We recommend Accounting Services review the current *Atlanta Independent School System Finance Policies and Procedures Manual* for updates and revisions to align the manual with current practice at the school sites. As part of this review, Accounting Services should look to memos and emails regarding guidance and procedures sent to the schools to identify informal procedure changes that should be incorporated into the formal, written guidance in the *Atlanta Independent School System Finance Policies and Procedures Manual*.

We further recommend all links to external materials be checked for functionality.

Management Response: The Accounting Services department will diligently proceed with the ongoing enhancements to the Finance Policies and Procedures Manual, incorporating all formal and informal procedural changes from the previous year and ensuring the incorporation of updated links for optimal accessibility and relevance.

In addition to enhancements to the manual and training, Finance is working closely with the Chief of Schools to develop additional accountability and monitoring tools. These include:

1. Associate Superintendent Check-In Agendas – *create monthly agendas for each Associate Superintendent and Program Director to use with principals to check-in/monitor items that should be happening in each of our schools. These are items that would most likely come from our central office divisions. We can add in “monitoring checks” for the audit findings where it makes sense and is appropriate.*
2. Principal and Assistant Principal Meetings – *trainings, information sharing, etc. to be incorporated into the Principal and Assistant Principal Meetings.*
3. Weekly Email Communication (formerly, the “P3”) – *as part of the revamping of the P3 that goes out to principals each week, the most current/needed information can be placed in the weekly message.*

Responsible Party: Accounting Services – Executive Director, Tanisha Oliver

Estimated Completion Date: August 1, 2024

Rating: High	2. Segregation of Duties
<u>Observation</u>	
<p>We noted that 39% of the schools had one or more instances in which the secretary collected the funds and also entered the transactions into the accounting system, in violation of APS guidance and best practices.</p>	
<u>Recommended Action</u>	
<p>We recommend annual training be provided to secretaries on the handling of student activity funds. During this training, maintaining proper segregation of duties should be emphasized. Principals should be encouraged to attend this training, as well.</p> <p>Additionally, school leadership should ensure appropriate segregation of duties exists within the school to avoid overlapping duties that could compromise controls. If staff resources are limited, school leadership should collaborate with Accounting Services and Chief of Schools Office to develop an acceptable mitigating control and or agree to accept the risk.</p>	
<u>Management Response:</u> School secretaries are authorized to facilitate fund collection procedures. However, it is imperative to note that they are prohibited from issuing generic receipts. To ensure adherence to best practices, the Accounting Department will undertake necessary revisions to enhance clarity in the Finance Policies and Procedures Manual and will emphasize the importance of segregation of duties at the FY2025 Summer Finance Training.	
<p>As an additional risk mitigation strategy and in line with our commitment to modernization and efficiency, Accounting Services has allocated additional funding towards the upgrade of our School Cash Online system. As of March 2024, we are pleased to report a notable 53% adoption rate among schools utilizing online payment platforms, with 43% of all transactions conducted electronically. Moving forward, Accounting will continue promoting the utilization of online payment avenues for all financial transactions, including dues, fees, and donations.</p> <p>While acknowledging the inherent complexities and variations across the district, we understand that achieving uniformity in practice may not always be feasible. Particularly, instances where secretaries assume dual roles as bookkeepers pose challenges to implementing strict segregation protocols based on staffing. We are updating the manual to emphasize the importance of segregation of duties for the FY2025 school year and exploring the potential of standardizing some financial practices/ position requirements for the FY2026 fiscal year.</p>	
Responsible Party: Accounting Services – Executive Director, Tanisha Oliver	
Estimated Completion Date: August 1, 2024	

Rating:
High

3. Sponsor Training and Signed Sponsorship Agreements

Observation

We noted that 44% of the schools did not have documentation of sponsor attendance at the required school cash activity training conducted by the school administration and/or were missing signed *Sponsorship Agreements*.

The *Atlanta Independent School System Finance Policies and Procedures Manual* requires all sponsors involved in the collection of monies from students or on behalf of the school attend training prior to any collection of funds. Untrained sponsors provide the opportunity for unauthorized collection of monies and an increased probability for lost or stolen funds. Section 1.8 of the *Atlanta Independent School System Finance Policies and Procedures Manual* references a link to the Accounting Services e-module for training that “will equip the school’s leadership with providing training to their staff”; however, the link could not be located.

The results of the testing performed at the individual schools indicate sponsor training may be inconsistent in content and quality from school-to-school.

Further, APS guidance requires sponsors to sign a *Sponsorship Agreement* acknowledging their understanding of their role and responsibilities and confirm receipt of the school-issued triplicate receipt book.

Recommended Action

School leadership should ensure that sponsors do not collect any school activity funds and fees from students/parents prior to completing the training. APS should consider developing and implementing a standardized format for schools to use to document a sponsor’s participation in the required school cash activity training.

Additionally, signed *Sponsorship Agreements* should be retained by the school and made available for audit.

To provide for enhanced quality and consistency of the training of sponsors, we recommend APS consider developing a web-based sponsor training course to be used by all schools for all sponsors. Upon completion of the online course, the sponsor could receive a certificate of completion, a copy of which would be retained with the signed *Sponsorship Agreement*.

We recommend, further, that prior to the start of any school year in which significant revisions are made to the *Atlanta Independent School System Finance Policies and Procedures Manual*, all sponsors be required to complete an updated sponsor training course.

Management Response: The Finance Policy and Procedures manual has two sections dedicated to sponsorship guidelines. Additionally, it includes templates for sponsorship agreements and logs. Furthermore, a dedicated slide within our presentations is allocated for discussing sponsorship matters during our annual trainings.

In conjunction with these resources, the Accounting Department will create a video recording of the training that includes a test-out component which will allow for principals and the Accounting team to verify who has completed the sponsorship training. This video recording will be provided to schools with a hyperlink to access an online Sponsorship Training module. This module can then be distributed among school personnel as necessary. It is imperative for school leadership to assume responsibility for overseeing the maintenance and monitoring of sponsorship training completion records.

Responsible Party: Accounting Services – Executive Director, Tanisha Oliver; Chief of Schools, Tommy Usher

Estimated Completion Date: August 1, 2024

Rating: High	4. Supporting Documentation
<p><u>Observation</u></p> <p>We noted that 33% of the schools had one or more instances in which journal entries were not accompanied by supporting documentation, pursuant to best practices in financial accounting. Without the supporting documentation, it is not possible to affirm the appropriateness of the transfer.</p> <p>64% of the schools had one or more instances in which receipts were not properly supported pursuant to APS guidance and 11% of the schools had one or more instances in which disbursements were not properly supported.</p>	
<p><u>Recommended Action</u></p> <p>We recommend additional training be provided to secretaries on what is considered proper documentation for school activity transactions and transfers. As they are responsible for approving school activity transactions, principals should be encouraged to attend this training, as well.</p>	
<p><u>Management Response:</u> The Accounting department annually hosts comprehensive training sessions tailored to enhance attendees' proficiency in accounting practices. Each participant is provided with meticulously crafted handouts, comprising illustrative samples of supporting documentation and concise reference materials. We have also pulled trainings hosted in various locations (Ellis, website, ad-hoc, SharePoint) to one unified SharePoint site which will be the primary location of all Finance related training for the FY2025 school year. The Accounting Department will offer supplementary training focused on the proper handling and maintenance of supporting documentation. Also, we are utilizing the Finance Liaison and the Special Projects Coordinator for Finance as additional trainers/supporters to ensure that we are supporting all schools' training needs. Attending required training and the implementation of best-practices derived from the training will be added to the Principals' monthly check-list to ensure accountability to the training.</p> <p>Responsible Party: Accounting Services – Executive Director, Tanisha Oliver</p> <p>Estimated Completion Date: August 1, 2024</p>	

Rating: High	5. Restricted Accounts
<p><u>Observation</u></p> <p>The chart of accounts provided in the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i> does not distinguish between restricted accounts and discretionary accounts. Specifically, Section 4.4 of the manual outlines a 4-step process in which the school determines whether a donation or grant may be deposited in the school’s bank account. The manual then proceeds to instruct the school to deposit the receipt to account 4034, <i>Donations to School</i>. However, the guidance is unclear on whether this process applies to discretionary donations. As a result, there is inconsistency as to which account schools are using to account for donations – restricted and discretionary – which obfuscates the control over using funds collected for their intended purpose. During our testing, this brought in to question whether funds were being used (or transferred) appropriately.</p> <p>We also noted page 38 of the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i> includes “Donations” in the list of “non-restricted” accounts from which the principal may authorize for use in disbursement of change funds. If restricted donations are co-mingled with discretionary funds in account 4034, the school would potentially use restricted donations for an unallowable purpose.</p>	
<p><u>Recommended Action</u></p> <p>We recommend revisions to the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i> be made to provide clarity on accounting for restricted donations versus discretionary donations. We suggest, further, that restricted donations be accounted for separately from discretionary donations.</p> <p>Additionally, consistency and compliance in accounting for and use of school activity funds would be improved if the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i> included additional guidance on which accounts should be used for accounting for discretionary funds.</p>	
<p><u>Management Response:</u> The Finance Policies and Procedures Manual outlines a section detailing various fund classifications. The Accounting Department will integrate supplementary directives into the manual specifically addressing the management protocols for both restricted and unrestricted donations. Specifically restricted donations (say for a specific sport, club, etc.) should be placed in the corresponding account for that activity while unrestricted donations to the school may continue to be placed in the Donations or general account.</p> <p>Responsible Party: Accounting Services – Executive Director, Tanisha Oliver</p> <p>Estimated Completion Date: August 1, 2024</p>	

Rating: High	6. Documentation of Verification of the Count of Funds
<u>Observation</u>	
<p>During our testing, we noted there is not a consistent process for documentation of verification of the count of funds. Current procedures, as stated in the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i>, require the sponsor to provide a <i>Receipt Collections Form</i> or the second copy of the triplicate receipt when turning in monies collected to the secretary. The <i>Receipt Collections Form</i> provided as Exhibit 26 in the <i>Finance Policies and Procedures Manual</i> only has a line for someone to sign as “received by” but no place for a second signature to document that the sponsor and the secretary agreed on the count. Further, there is no documentation/place for a signatory if the documentation is the second copy of the triplicate receipt.</p>	
<u>Recommended Action</u>	
<p>We recommend the District consider updating the <i>Receipt Collections Form</i> to include a second signatory line. We suggest, further, the District consider requiring the use of the <i>Receipts Collection Form</i> anytime a sponsor is turning in monies to the secretary. If the sponsor is turning in the second copy of the triplicate receipt, they can make reference to the attached receipts in lieu of listing out the individual receipts. This will serve as documentation of the verification of the count of funds by both the sponsor and the secretary, providing consistency and enhanced controls over the collection of funds.</p>	
<u>Management Response:</u> Accounting acknowledges and trains on the best practice of assigning a secondary signer. While acknowledging the inherent complexities and variations across the district, we understand that achieving uniformity in practice may not always be feasible. Particularly, instances where secretaries assume dual roles as bookkeepers pose challenges to implementing strict segregation protocols based on staffing. However, we will update training and procedural manuals to re-emphasize the importance of segregation of duties and dual verification and will amend the forms to include two signature lines.	
Responsible Party: Accounting Services – Executive Director, Tanisha Oliver	
Estimated Completion Date: August 1, 2024	

Rating: Moderate	7. MCAAF Training
<p><u>Observation</u></p> <p>We performed a search for Financial Management Training materials on the District’s website. The most recent Financial Management Training materials found from this search were updated in 2018. We reviewed the training slide deck, noting many of the same observations as we did with the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i>, primarily the materials were not always consistent with current practices.</p> <p>The FY24 Accountability and Managing Miscellaneous Funds training deck provided to us during the planning phase of our audit – which was updated to align with current guidance – could not be located in our search of the District’s website. This training deck was used in live training for the school secretaries and bookkeepers at the beginning of the school year.</p> <p>We noted, further, the content would serve as a good reminder or refresher for someone that attended the live training, but it is not in sufficient detail for a new school secretary to use as a training tool.</p>	
<p><u>Recommended Action</u></p> <p>We recommend the training materials be readily available on the District’s website for reference as needed throughout the school year. This would allow secretaries and principals to access the materials should questions arise during the year. Only the most recent and relevant training materials should be on the website, with previous training materials being archived to avoid inadvertent use of outdated guidance.</p> <p>Training materials should be updated routinely and upon completion of any significant revisions to the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i>. We further suggest the training materials be created and made available on the website as a recording, which would allow new secretaries or principals to hear the contextual narrative that aligns with the slide deck.</p>	
<p><u>Management Response:</u> A dedicated SharePoint site is maintained to provide a repository of training materials, enhancing accessibility and knowledge dissemination within the organization. We are currently migrating all available training materials to this one SharePoint site and removing outdated trainings.</p> <p>In addition to the annual training sessions for Principals, Secretaries, Bookkeepers, and Business Managers provided by the Finance Department, the Accounting Department offers personalized one-on-one training to all newly appointed school secretaries and bookkeepers. Furthermore, the Accounting Department allocates two dedicated accountants to provide ongoing support to assigned schools, maintaining regular communication to address any arising issues promptly.</p> <p>To facilitate efficient communication and resolution of queries, the Accounting Department has established a dedicated SABO Support email address, ensuring timely responses as all support staff have access to it. Furthermore, Finance and the Chief of Schools are working closely to ensure training will be provided regularly at ongoing Principals sessions and attending mandatory training will be added to the Principals’ accountability check-list.</p>	

Observations

Responsible Party: Accounting Services – Executive Director, Tanisha Oliver

Estimated Completion Date: August 1, 2024

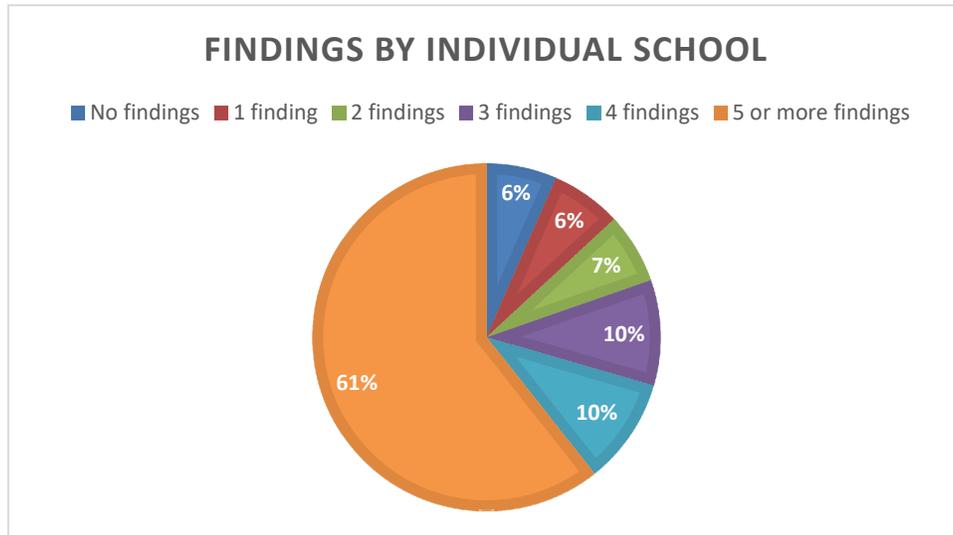
Rating: Low	8. Checks Received by Mail
<p><u>Observation</u></p> <p>During our testing, we noted the District does not have a policy for the handling of checks received by mail. For the checks received by mail that were part of our sample, the mail was often provided directly to the secretary to be processed, creating an issue with segregation of duties. There is no requirement for the use of a mailed check log, whereby checks received in the mail would be logged by someone other than the secretary before forwarding the check to be processed.</p>	
<p><u>Recommended Action</u></p> <p>We recommend the District review its policies and procedures over the handling of checks received by mail. The District should evaluate the risks associated with the current practice to determine whether a change in the policies and procedures is needed.</p>	
<p><u>Management Response:</u> We will include additional training and updates to the manual that emphasize to principals the potential risks associated with providing receipts directly to the bookkeeper for deposit. While acknowledging the inherent complexities and variations across the district, we understand that achieving uniformity in practice may not always be feasible. Particularly, instances where secretaries assume dual roles as bookkeepers pose challenges to implementing strict segregation protocols based on staffing.</p> <p>Responsible Party: Accounting Services – Executive Director, Tanisha Oliver</p> <p>Estimated Completion Date: August 1, 2024</p>	



Summary – Individual School Testing

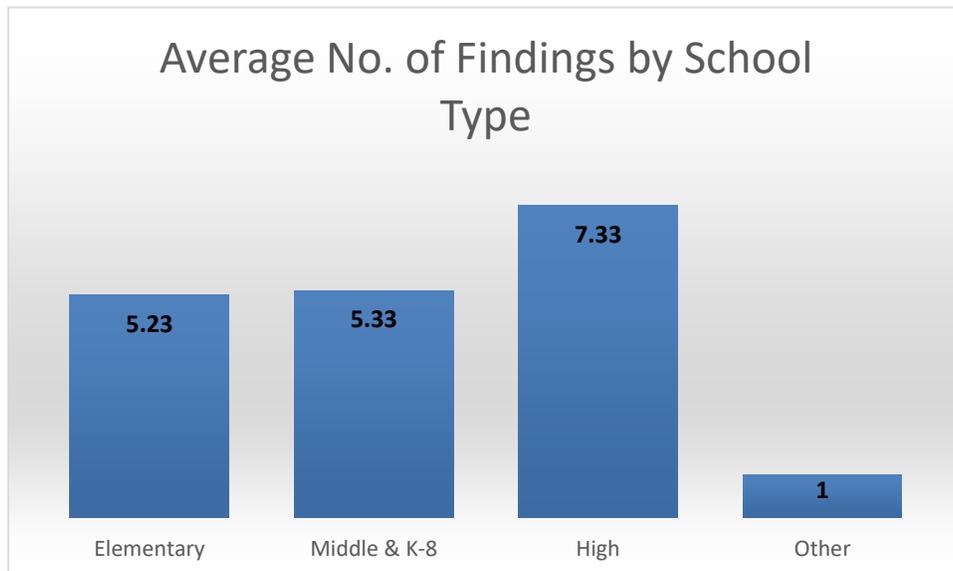
Summary – Individual School Testing

The audit teams performed compliance testing at 61 of the 62 schools operating as part of Atlanta Public Schools in the fiscal year ending June 30, 2023. As a result of this testing, we noted 322 instances of non-compliance with APS policies, state regulations and/or industry best practices.



When looking at the schools by type, the number of findings for the fiscal year ended June 30, 2023 was:

<i>School Type</i>	<i>No. of Schools</i>	<i>No. of Findings</i>
Elementary	39	204
Middle & K-8	9	48
High	9	66
Other	4	4
Total	61	322



Summary – Individual School Testing

The findings by individual school are detailed in the appendix to this report. The schools are grouped by their “geographical” cluster as assigned by the school district. These findings were presented to the school principal and the secretary at the completion of the school site visit.

The most commonly cited issues are as follows:

<p>Monies Not Turned In Timely 32 Schools (52%)</p>	<p>Section 3.3 of the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i> requires sponsors to turn in monies collected to the secretary or designee in the absence of the secretary on the same day as collected.</p>
<p>Missing or Incomplete Student Receipts 32 Schools (52%)</p>	<p>Section 3.3 of the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i> requires the school to issue triplicate receipt books to sponsors for use in the collection of funds. Each receipt must show the date of collection, name of payee, the amount collected and the sponsor’s signature. The original receipt must be given to the payee, the 2nd copy provided to the secretary along with the collected funds and the 3rd copy retained in the receipt book to be returned to the secretary at the end of the school year.</p>
<p>Disbursement Pre-Authorization Request Form 31 Schools (51%)</p>	<p>Sections 1.9 and 3.6 of the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i> requires all purchases (disbursements) to have written approval by the principal prior to the purchase being made. This request is to be made using the <i>Disbursement Pre-Authorization Request</i> form found in the procedures manual.</p>
<p>Missing or Incomplete Documentation 29 Schools (48%)</p>	<p>Section 3.4 of the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i> provides guidance for receipts and collections of student activity funds. Funds collected by the sponsor should be accompanied by a <i>Receipts Collections Form</i> (for individual collections of \$10 or less), student receipts (for individual collections in excess of \$10), remittance advices, or an award letter and copy of check for donations or grants. There should be written documentation to verify the count of funds between the sponsor and the secretary before the secretary generates the official receipt from SFO.</p>
<p>No Documentation of Sponsor Training and/or No Signed Sponsorship Agreement 27 Schools (44%)</p>	<p>Section 1.8 of the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i> requires all sponsors to complete school cash activity funds training prior to the sponsor participating in any collections of school cash activity funds. At the completion of the training, the school shall obtain a signed <i>Sponsorship Agreement</i> form prior to the sponsor conducting any activity or fundraiser for a school. This form also serves as documentation the sponsor was issued a pre-numbered receipt book.</p>

Summary – Individual School Testing

<p>Improper Segregation of Duties</p> <p>24 Schools (39%)</p>	<p>Section 1.7 of the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i> reiterates the separation of certain duties is required for effective internal controls. While the secretary is assigned the duties of counting money, preparing deposits, and maintaining the accounting records, the secretary should not be involved in the collection of funds. Further, once the secretary prepares the deposit packet, it should be a documented review of the deposit packet by someone other than the secretary.</p>
<p>Missing or Incomplete Support for Journal Entries</p> <p>20 schools (33%)</p>	<p>Providing appropriate supporting documentation for a financial transaction is an essential element of internal control. Proper documentation – such as source documents or reports, supportive calculations and/or other items necessary to substantiate the entry – gives the principal adequate detail to ensure a transaction is reasonable, accurate and in compliance with District and state laws, rules and regulations.</p>
<p>Missing or Incomplete Request for Fundraising Project Form</p> <p>15 Schools (25%)</p>	<p>Section 4.8 of the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i> requires a sponsor to complete a Request for Fundraising Project Form and remit the form to the principal for approval prior to the fundraising activity taking place. Once approved by the principal, the form must be forwarded to the associate superintendent for their approval.</p>
<p>Purchasing Policies Not Followed</p> <p>14 Schools (23%)</p>	<p>Section 3.6 of the <i>Atlanta Independent School System Finance Policies and Procedures Manual</i> states that principals are responsible for ensuring that all purchases are made in accordance with APS board guidance, which includes obtaining quotes or bids as required by the guidance. Additionally, for four (4) of these schools, checks exceeding limits set forth in the guidance were issued without obtaining pre-approval from Accounting Services.</p>
<p>Stale-Sated Outstanding items on the Bank Reconciliation</p> <p>11 Schools (18%)</p>	<p>The State of Georgia escheat laws require APS to remit unclaimed property such as uncashed checks to the state. These funds are to be held on the school’s account as outstanding checks for a duration of five years, then turned over to the state which holds the funds for the rightful claimants.</p> <p>During that five-year period, the school should be monitoring outstanding items and making reasonable efforts to contact the payee to get the outstanding item resolved. Schools are allowed to void checks – except for those issued for services rendered – if they can establish proof that the funds are not owed to the payee.</p> <p>We also noted one (1) school with deposits in transit aged over a year, which is indicative of errors in the bank reconciliation.</p>

Summary – Individual School Testing

Others findings noted included the presence of negative account balances, missing or incomplete documentation for disbursements, use of funds for something other than the intended purpose (or disbursements posted to the wrong account) or the amount of the official receipt differed from the underlying student receipts or *Receipt Collection Form*. At two (2) schools, manual changes to supporting documents were noted and, at one (1) school, we noted the secretary was filling out student receipts after-the-fact.

Regarding disbursements, APS guidance prohibits secretaries from signing checks written from the student activity funds. However, canceled checks – or images of canceled checks – are no longer included with the monthly bank statements provided to APS and access to images of canceled checks through online banking was not available for the period covered by the audit. Therefore, we were unable to audit the compliance with this guidance.