

Office of Internal Compliance

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Brown Middle School Summary of Findings

November 9, 2016

Mrs. Tiauna Crooms
Principal
Brown Middle School
765 Peebles St SW
Atlanta GA 30310

Mrs. Crooms,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Brown Middle School (Brown). 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 Brown 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, 2015 to September 30, 2016 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 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. Brown's response is included after each finding recommendation.

GENERAL ADMINISTRATION

Observation # 1

6 of 8 (75%) Sponsors did not attend the required training for FY2016-2017. No training administered for FY2015-2016.

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

Failure to ensure that school personnel are trained provides the opportunity for unauthorized collection of monies and a probability for lost/stolen funds.

Recommendation(s)

Brown leadership should ensure the Principal and all Sponsors are trained prior to collecting funds from student/parents.

Response

All future training will be conducted for all sponsors and *Sponsor Agreements* will be completed accurately.

Observation # 2

2 of 3 (67%) Sponsors did not submit *Request for Fund Raising Project Forms* for approval by the Principal. It was also noted that the Sponsorship Agreement was not completed accurately, in that:

- two Sponsors who collected funds from parents/students were not included on the Sponsorship Agreement
- 3 of 6 (50%) receipt books issued were not signed out on the *Sponsorship Agreement*.

The instituted process requires all Sponsors to be listed on the *Sponsorship Agreement* and indicate assigned receipt books.

Failure to fully complete the *Sponsorship Agreement* provides the opportunity for unauthorized collection of monies and a probability for lost/stolen funds. Also, failure to ensure school fund raising events are approved by the Principal and Associate Superintendent prior to the activity taking place provides an opportunity for theft.

Recommendation(s)

Brown leadership should ensure *Request for Fund Raising Project Forms* are completed and approved by the Principal and Associate Superintendent prior to issuing receipt books to Sponsors for fundraising

activities. Also, Brown leadership should ensure the *Sponsorship Agreement* is completed accurately and includes all designated Sponsors.

Response

Request for Fund Raising Project Forms will be completed and approved prior to fundraising project begin date. All sponsorship agreements will be completed accurately and include all designated sponsors.

CASH RECEIPT ANALYSIS

Observation # 3

Sponsors hold monies from students and/or parents between one (1) to fourteen (14) days before submitting funds to Secretary to post and deposit. It was also noted that the Secretary does not reconcile funds submitted by Sponsors to the receipt book. In 90 instances, the Secretary used a receipt book to receipt funds received from students instead of the SABO system.

The current guidelines require Sponsors to submit funds daily to the Secretary. All monies collected by the Secretary should be receipted through the school financial records (SABO). 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 deposit collected funds daily, reconcile receipt books and issue official SABO generated receipts decreases internal controls and exposes the school to possible lost or stolen funds.

Recommendation(s)

Brown leadership should ensure the designated bookkeeper and all Sponsors follow the procedures outlined in the Receipts and Collections section of the *SBS Financial Guidelines*. School personnel should ensure that students/parents are given an official SABO generated receipt.

Response

Secretary will only give SABO generated receipts for collection of funds. Any receipt book will be handed over to the secretary for reconciling.

Observation # 4

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

- **8 of 26 receipts (31%) did not have Receipt Collection Form on file for fundraiser collections.**
- **3 of 26 receipts (12%) had incomplete Deposit Slip Detail forms and were not used to verify funds.**

The current guidelines require the Sponsor to provide a pre-numbered receipt or complete a *Receipt Collection Form* when collecting monies from students/parents. The *Deposit Slip Detail Forms* are used to verify funds submitted to the Secretary by the Sponsor. The Secretary is required to issue an official SABO generated receipt and deposit all funds into the SABO system daily.

Failure to properly complete the *Receipt Collection Forms*, *Deposit Slip Detail Forms* and/or issue SABO generated receipts timely may expose the school to possible lost or stolen funds collected from parents/students.

Recommendation(s)

Brown leadership should ensure the designated bookkeeper and all Sponsors follow the procedures outlined in the Receipts and Collections section of the *SBS Financial Guidelines*.

Response

Secretary will not write any receipts out of a receipt book. In reference to *Receipt Collections Forms* to be completed for fundraising activities, this form will be completed going forward by Sponsors that are collecting for fundraising only and all funds will be counted and verified by Secretary and Sponsor.

Observation # 5

3 of 36 deposits/receipts (8%) were not deposited into the school's bank account within 72 hours. These three deposits were 7 to 8 days late.

The *SBS Financial Guidelines* requires that deposits not be held in excess of 72 hours.

Failure to ensure funds are deposited within 72 hours may appear as petty cash and/or provide an opportunity for lost or stolen funds.

Recommendation(s):

Brown leadership should ensure that all deposits are sent to the bank within 72 hours of receiving the funds.

Response

All Deposits will be ready within 72 hours on the designated dates. If there is a delay in any deposit, Secretary will notify SABO representative and Principal immediately.

CASH DISBURSEMENT ANALYSIS

Observation # 6

6 of 11 checks (55%) did not have appropriate support documentation. 11 of 11 (100%) related *Disbursement Request Forms* were completed by the Secretary, not the individual requesting the disbursement. None of the employee reimbursements reviewed evidenced prior written approval from the Principal.

The current *SBS Financial Guidelines* require disbursements to include only original documentation. Employee reimbursements require evidence of prior written approval by the Principal prior to purchase.

Failure to complete and maintain financial records may result in the circumvention of established internal controls.

Recommendation(s)

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

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

Response

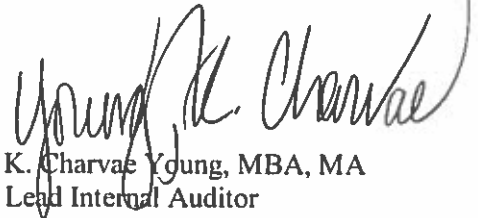
Employee will complete the *Disbursement Request Form*. Employees will receive prior approval before making a purchase that will require a reimbursement.

We want to thank you and your school personnel for their warm welcome and participation throughout this process. It was truly a pleasure working with everyone.

Sincerely,



Connie Brown, CIA, CRMA
Executive Director, Internal Compliance



K. Charvae Young, MBA, MA
Lead Internal Auditor