

Office of Internal Compliance

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Making A Difference

Inman Middle School Summary of Findings

December 2, 2016

Mrs. Emily Boatright
Interim Principal
Inman Middle School
774 Virginia Ave., NE
Atlanta, GA 30306

Mrs. Boatright,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Inman Middle School (Inman). 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 Inman 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 29, 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. Inman's response is included after each finding recommendation.

GENERAL ADMINISTRATION

Observation #1

Inman's safe was opened and the entry to the safe location was unlocked; no money was in the safe at the time of the observation.

Schools are required to safeguard monies due to the significant amounts of receipted funds collected as currency.

Failure to ensure safe is locked and entry to safe location is secured exposes the school to possible lost or stolen funds.

Recommendation(s)

Inman leadership should ensure the safe and the entry remain locked.

Response

The safe and entry will remain locked at all times.

Observation #2

50 of 76 Sponsors (66%) that collected funds during FY2015-2016 and FY2016-2017 did not attend the required training. No Sponsor training was administered for FY2016-2017. Also, the Principal did not attend the required training for FY2016-2017.

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

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

Recommendation(s)

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

Response

At the next faculty meeting (11/22/16), the faculty will again be trained on procedures for collecting funds from students and parents.

Observation #3

3 of 3 Sponsors (100%) collecting for a School Fund-Raising Event did not submit *Request for Fund Raising Forms* for approval by the Principal. Also, we noted that the *Sponsorship Agreement* was not completed accurately, in that:

- ***Sponsorship Agreements* for FY2015-2016 and FY2016-2017 were not signed by the Principal**
- ***Sponsorship Agreement* for FY2015-2016 did not indicate a return receipt book date**
- **Five (5) Sponsors that collected funds from students/parents were not included on the *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 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)

Inman 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. Inman leadership should ensure the *Sponsorship Agreement* is completed accurately and includes designated Sponsors.

Response

The principal will ensure that all required forms for fund raising are completed and approved at both the school and district level before issuing receipt books. All *Sponsorship Agreements* will be accurate and include all designated Sponsors.

CASH RECEIPT ANALYSIS

Observation #4

Sponsors held monies from students and/or parents between one (1) to two hundred thirty (230) days before submitting funds to Secretary to post and deposit. The Secretary did not reconcile funds submitted by Sponsors to the receipt book. In reviewing receipt books, it was noted that one Sponsor did not submit \$35 collected from students/parents.

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

Recommendation(s)

Inman leadership should recoup the missing \$35 from the Sponsor. Inman leadership should also ensure the designated bookkeeper and all Sponsors follow the procedures outline in the Receipts and Collections section of the *SBS Financial Guidelines*.

Response

The leadership will also meet with the Sponsor to arrange for collection of the missing \$35.00.

Observation #5

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

- **5 of 35 receipts (14%) were donations deposit into sponsored activity fund or general fund instead of Donation to Schools**
- ***Deposit Slip Detail Forms* were not used to verify count of Sponsor submission to Secretary**

The current guidelines require donations be deposited into the activity account, Donation to Schools. An award letter, copy of check, and supporting documentation should be filed. Also, the *Deposit Slip Detail Form* is used to verify funds submitted to the Secretary by the Sponsor.

Failure to deposit donations in appropriate activity account and obtain and retain letter/*Donation Form* provides an opportunity for donated funds to be misused. Failure to use the *Deposit Slip Detail Form* provides no proof of verification of funds submitted to Secretary by the Sponsor.

Recommendation(s)

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

Response

Inman Middle School will ensure the bookkeeper and all Sponsors will follow all procedures outlined in the *SBS Financial Guidelines* regarding receipts and collections.

Observation #6

1 of 16 deposits (6%) were not deposited into the school's bank account within 72 hours. This deposit was 10 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)

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

Response

The Principal and school Secretary will ensure that all funds are turned in to the school Secretary and prepared for deposit according to the *SBS Financial Guidelines*.

CASH DISBURSEMENT ANALYSIS

Observation #7

Our review of check disbursements revealed the following:

- 1 of 29 checks (3%) represented a technology purchase.
- 9 of 29 checks (31%) in the range of \$2,001 and \$25,000 did not provide four written quotes.
- 1 of 29 checks (3%) for employee reimbursement did not have an original receipt attached.
- 29 of 29 (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 *Procurement Services Procedures Manual* requires all technology purchases to be acquired through Lawson. The manual also requires purchases from \$2,001 to \$25,000 to have four written quotes via phone, fax, e-mail, or catalog. The current *SBS Financial Guidelines* requires disbursements to include only original documentation. Employee reimbursements require evidence of prior written approval by the Principal prior to purchase.

Failure to seek competitive bids may result in paying higher than necessary prices for goods and services. Also, failure to obtain prior written approval for purchases may prevent an employee from receiving the reimbursement if funds are not available.

Recommendation(s)

Inman leadership should ensure employees follow the *SBS Financial Guidelines* and the *Procurement Services Procedures Manual*, to include but not limited to:

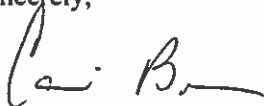
- Purchase technology via Lawson
- Obtain four written quotes for purchases from \$2,001 to \$25,000
- Employees complete and sign their own *Disbursement Request Forms*
- Employees received prior written approval to the purchase of items they plan to seek for reimbursement

Response


Moving forward, all technology purchases will be obtained through Lawson. Employees will complete and sign their own Disbursement Request Forms. Employees will be required to obtain prior approval for the purchase of items for which they plan to see reimbursement. All purchases from \$2,001 to \$25,000 will obtain the required four written quotes.

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