

Office of Internal Compliance

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ATLANTA
PUBLIC
SCHOOLS

Making A Difference

Price Middle School Summary of Findings

December 2, 2016

Mr. Luqman Abdur-Rahman
Principal
Price Middle School
1670 Benjamin W. Bickers Dr. SW
Atlanta, GA 30315

Mr. Abdur-Rahman,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Price Middle School (Price). 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 Price 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 October 12, 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. Price's response is included after each finding recommendation.

GENERAL ADMINISTRATION

Observation #1

25 of 25 (100%) Sponsors did not receive training for FY16 or FY17. The Principal, new effective July 2016, did not attend the required training for FY17.

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)

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

Response

The implementation plan to address the observation is as follows:

- a. Find out when the scheduled trainings are for the remainder of FY17
- b. Split the list of sponsors amongst the next several available trainings
- c. Ensure that all sponsors and the principal are trained as soon as possible (with a deadline of August 1, 2017) to allow collection of funds

Observation #2

No *Sponsorship Agreement* for FY16 or FY17. However, PMS did have a document that identified the issuance of receipt books to Sponsors for the same period. It was noted that 8 of 25 Sponsors (32%) submitted funds but had not signed for a receipt book.

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 complete the *Sponsorship Agreement* provides an opportunity for unauthorized collection of monies and a probability for lost/stolen funds.

Recommendation(s)

Price leadership should ensure the *Sponsorship Agreement* is completed at the beginning of each school year.

Response

The implementation plan to address the observation is as follows:

- a. Sponsorship agreements will be downloaded and sponsors identified who have yet to sign an agreement for FY17
- b. Ms. Bloodsoe will meet with all sponsors and remind them of expectation and new expectation that receipt books will no longer be distributed for locker deposits.
- c. Set meeting with all sponsors for FY17 and FY18 mandating signing the sponsorship agreement and establishing expectations
- d. Ms. Bloodsoe will file completed sponsorship agreements and collect receipt books that are out but not needed as necessary.
- e. Ms. Bloodsoe will set a calendar reminder of August 1, 2017 to ensure that all sponsorship agreements are distributed, signed, and collected by August 8th, 2017.

CASH RECEIPT ANALYSIS

Observation #3

Sponsors held monies from students and/or parents between one (1) to thirty-three (33) days before submitting funds to Secretary to post and deposit. The Secretary does not reconcile funds submitted by Sponsor to the receipt book. In reviewing receipt books, it was noted that one Sponsor collected \$299 and did not receipt student/parents for funds collected.

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. The Sponsor should issue an individual receipt to the student or payee verifying that he/she paid.

Failure to deposit collected funds daily decreases internal controls and exposes the school to possible lost or stolen funds. Failure to reconcile receipts to funds submitted by Sponsors exposes the school to possible lost or stolen funds. Failure to issue receipt to student/parent provides no verification of all funds collected and the opportunity of lost or stolen funds.

Recommendation(s)

Price 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

The implementation plan to address the observation is as follows:

- a. Bookkeeper will receive all necessary training required to train sponsors
- b. Bookkeeper will request support of district finance expert to train staff as needed
- c. Training on the SBS Financial Guidelines will be held by Ms. Bloodsoe by December 15
- d. Training will address failures to uphold guidelines in the past as teaching opportunity
- e. Sponsors will sign off on signifying receipt of training and compliance with guidelines

Observation #4

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

- **9 of 15 receipts (60%) had *Deposit Analysis Reports* not signed by Principal**
- ***Deposit Slip Detail Forms* were not used to verify count of Sponsor submission to Secretary**

The current guidelines require the designated bookkeeper to prepare a *Deposit Analysis Report* for every bank deposit for the Principal to review and sign. Also, the *Deposit Slip Detail Form* is used to verify funds submitted to the Secretary by the Sponsor.

Failure to prepare a *Deposit Analysis Report* provides an opportunity for bank deposit errors and lost/stolen funds. Failure to use the *Deposit Slip Detail Form* provides no proof of verification of funds submitted to Secretary by the Sponsor.

Recommendation(s)

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

Response

The implementation plan to address the observation is as follows:

- a. Include expectation for filling out deposit slip detail form and signature of deposit analysis report in the planned guidelines training
- b. Have all sponsors and principal sign off on acknowledgement of expectations for deposits

Observation #5

1 of 11 deposits (9%) were not deposited into the school's bank account within 72 hours. The deposit was 7 days late. 3 of 11 deposits (27%) could not be verified as deposited into the school's bank account.

The *SBS Financial Guidelines* requires the 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. Failure to maintain financial records is not adhering to the maintenance and security of school financial records.

Recommendation(s)

Price leadership should ensure that all deposits are sent to the bank within 72 hours of receiving the funds and maintain financial records as indicated in the Records Retention section of the *SBS Financial Guidelines*.

Response

The implementation plan to address the observation is as follows:

- a. Ms. Bloodsoe will receive adequate training on guidelines as needed by December 15th
- b. New process and run of show will be created showing process for collecting deposits and depositing them within the required time frame
- c. Expectation will be shared during guidelines training

CASH DISBURSEMENT ANALYSIS

Observation #6

20 of 23 checks (87%) lacked proper support documentation and pre-approval and/or were paid from inappropriate activity funds. It was noted that 23 of 23 related *Disbursement Request Forms* (100%) were completed by the Secretary, not the individual requesting the disbursement.

The *SBS Financial Guidelines* requires donations be deposited into the activity account, Donation to Schools. An award letter, copy of check, and supporting documentation should be maintained. The guidelines require the student activity funds received for a specific function be disbursed only for that function. Employee reimbursements require evidence of prior written approval by the Principal prior to purchase.

Failure to ensure that donations are used for their intended purpose may reduce the likelihood of receiving additional donations and reduce public trust. Also, failure to obtain prior written approval for purchases may prevent an employee from receiving the reimbursement if funds are not available.

Recommendation(s)

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

- Student activity funds received for a specific function be disbursed only for that function/purpose
- 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

The implementation plan to address the observation is as follows:

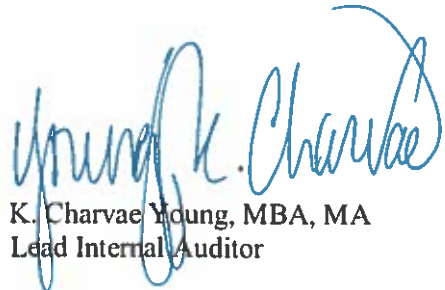
- a. Ms. Bloodsoe will receive adequate training on guidelines as needed by December 15th
- b. New process and run of show will be created showing process for collecting deposits and requesting funds for disbursement
- c. Expectation will be shared during guidelines training
- d. Teachers will sign off signifying understanding of expectations

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