

## Office of Internal Compliance

130 Trinity Avenue S.W.

Atlanta, Georgia 30303

(404) 802-1700 (phone)

(404) 802-1717 (fax)



ATLANTA  
PUBLIC  
SCHOOLS

Making A Difference

### Sylvan Hills Middle School Final Report

April 13, 2017

Mr. Artesza Portee, Principal  
Sylvan Hills Middle School  
1461 Sylvan Road  
Atlanta, GA 30310

Mr. Portee,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Sylvan Hills Middle School (Sylvan). 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 Sylvan 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 February 17, 2017 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. Sylvan's response is included after each finding recommendation.

## **GENERAL ADMINISTRATION**

### **Observation #1**

**On February 22, 2017, a \$4 cash deposit received from the cafeteria was found in a sealed bank money bag within a stack of review files (November 2015 checks and deposits) provided to OIC. The deposit slip was dated February 9, 2017. Sylvan school activity funds are kept in a lockbox inside a file cabinet in a locked storage room.**

The *SBS Financial Guidelines* require all funds collected be kept in the school vault/safe.

Failure to safeguard monies collected provides an opportunity for lost or stolen funds.

### **Recommendation(s):**

Sylvan leadership should ensure the \$4 cash deposit is deposited and credited to the cafeteria account. Also, Sylvan leadership should ensure that all deposits are kept in the school safe.

### **Response**

\$4 was deposited into the cafeteria account and all monies are being deposited into the safe each day.

### **Observation #2**

**One receipt book, two Reconciliation Reports, and two disbursement records were not located and available for OIC review during the audit.**

School financial records must be retained in the school for a minimum of two years and maintained in storage for an additional three years.

Failure to adhere to the Records Retention guidelines does not enforce the maintenance and security of school financial records.

### **Recommendation(s)**

Sylvan leadership ensure all school financial records are maintained according to Records Retention guidelines.

### **Response**

Records Retention guidelines were reviewed with secretary and records are being maintained in accordance with guidelines with weekly administrative oversight.

**Observation #3**

**No training administered to Sponsors for FY2015-2016 and 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)**

Sylvan leadership should ensure all Sponsors are trained prior to collecting funds from students/parents. Also, Sylvan leadership should ensure that current Sponsors receive the required Sponsorship training, if they are to continue collecting funds.

**Response**

All Sponsors/staff who collect funds were trained on March 27, 2017, to ensure they are aware of and have an understanding of how to collect/submit funds. Moving forward, the training will take place during pre-planning of each semester (August/July).

**Observation #4**

**No Sponsorship Agreement for FY2015-2016 or FY2016-2017. 6 of 6 Sponsors (100%) collected funds from students/parents with no evidence of a receipt issued.**

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 document the principal's approval of activities, designation of approved sponsors, and documentation of assigned receipt books to Sponsors provides the opportunity for unauthorized collection of monies and a probability for lost/stolen funds.

**Recommendation(s)**

Sylvan leadership should ensure the *Sponsorship Agreement* is completed at the beginning of each school year. Also, Sylvan leadership should ensure *Sponsorship Agreements* are completed for any Sponsor expected to collect funds during the remaining school year.

**Response**

*Sponsorship Agreements* have been reviewed and completed with expected agreements completed as well.

**CASH RECEIPT ANALYSIS**

**Observation #5**

**Sponsors hold monies from students and/or parents between two (2) to sixty-four (64) days before submitting funds to Secretary to post and deposit. The Secretary does not always reconcile receipts (money received) to the receipt book.**

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 security of the funds remain the responsibility of the Sponsor until funds verification and receipt has been made.

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.

**Recommendation(s)**

Sylvan 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 Secretary and Sponsors have been briefed on the procedures outline in the Receipts and Collections section of the *SBS Financial Guidelines*. Weekly administrative monitoring will ensure these procedures are followed.

**Observation #6**

**13 of 20 receipts (65%) did not have proper support documentation for donations (e.g., deposit slip, yellow receipt copies, Ticket Report, letter/donation form). 5 of 13 receipts (38%) were donations deposit into sponsored activity fund, Principal's Courtesy Fund, or General Fund instead of Donation to Schools**

The Principal is responsible for the maintenance and security of school financial records. Guidelines require an award letter, copy of check, and supporting documentation to be filed for donations. Also, the guidelines require donations be deposited into the activity account, Donation to Schools.

Failure to deposit donations in appropriate activity account and obtain and retain letter/*Donation Form* provides an opportunity for donated funds to be misused.

**Recommendation(s)**

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

**Response**

The Secretary and Sponsors have been briefed on the procedures outline in the Receipts and Collections section of the *SBS Financial Guidelines*. Weekly administrative monitoring will ensure these procedures are followed.

**Observation #7**

**4 of 20 deposits/receipts (20%) were not deposited into the school's bank account within 72 hours. The four deposits were deposited 5 to 42 days late. 1 of 20 receipts (5%) was taken to the bank instead of using the Armored Car Services.**

The *SBS Financial Guidelines* require 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. Failure to use Armored Car Services for deposits places school personnel and sponsored activity funds at risk.

**Recommendation(s):**

Sylvan leadership should ensure all deposits are sent to the bank within 72 hours of receiving the funds and transported by the Armored Car Services.

**Response**

The Secretary has been directed to send all deposits to the bank immediately through the Armored Car Service. Weekly administrative monitoring will ensure this process is followed.

**CASH DISBURSEMENT ANALYSIS**

**Observation #8**

**10 of 29 checks (34%) were without proper support documentation and/or were not processed according to *SBS Financial Guidelines*. Violations included but not limited to the following:**

- **Overpayment of reimbursement by \$50**
- **1 of 29 checks (3%) reimbursing and purchasing gifts cards for staff**
- **Reimbursing an employee \$1,680 to refund students in cash for a canceled field trip that cost \$70 per student**
- **2 of 29 checks (7%) did not have the original receipt/invoice attached for reimbursement/payment**
- **Processing *Disbursement Request Forms* without an employee signature and/or written original receipt**

Per the Chief Financial Officer on September 14, 2016, gift card purchases are only allowed for student incentives. The *SBS Financial Guidelines* require the issuance of a check to the Sponsor if a refund amount is \$5 per student or less. All *Reimbursement Requests Forms* must be presented with all original documentation (e.g., invoices, itemized receipts, sales slips). Employee reimbursements require evidence of prior written approval by the Principal prior to purchase.

Failure to properly refund students may provide an opportunity for parents/students and/or Sponsors receiving overpayment or underpayment. Failure to have employees complete and sign *Disbursement Request Forms* decreases internal controls and provides a possibility of improper disbursement of funds. Failure to obtain prior written approval for purchases may prevent an employee from receiving the reimbursement if funds are not available.

**Recommendation(s)**

Sylvan leadership should recoup the \$50 overpayment to Ms. L. Blackburn. Also, Sylvan leadership should ensure employees follow the *SBS Financial Guidelines*, to include but not limited to:

- Provide gift cards only to students for student incentive and document student name(s)
- Require Sponsors complete a *Disbursement Request Form* for each student/parents for refunds greater than \$5
- Require employees complete and sign their own *Disbursement Request Forms*
- Require employees receive prior written approval to purchase an item for which they plan to seek reimbursement

Mr. Artesza Portee

Page 6 of 6

April 13, 2017

**Response**

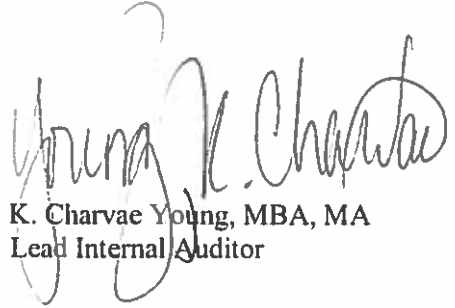
The \$50 overpayment will be recouped by March 31, 2017. The Secretary was directed to ensure employees follow the *SBS Financial Guidelines*. Weekly administrative monitoring will ensure these guidelines are followed.

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