

Office of Internal Compliance

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ATLANTA
PUBLIC
SCHOOLS

Making A Difference

Martin Luther King, Jr. Middle School Final Report

April 27, 2017

Mr. Paul Brown, Principal
Martin Luther King, Jr. Middle School
545 Hill Street SE
Atlanta, GA 30312

Mr. Brown,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Martin Luther King, Jr. Middle School (MLK). 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 MLK 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 March 10, 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. MLK's response is included after each finding recommendation.

GENERAL ADMINISTRATION

Observation #1

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)

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

Response

Sponsorship training was administered to the majority of staff members including all previously identified Sponsors on March 23, 2017. We will hold another Sponsor training during the pre-planning in August for the 2017-2018 school year.

Observation #2

Sponsorship Agreement for FY2015-2016 or FY2016-2017 were not signed by the Principal. 8 of 37 Sponsors (22%) collected funds from students/parents and did not provide receipts, nor were the Sponsors issued receipt books. 23 of 37 Sponsors (62%) were not listed on any 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. The current guidelines require Sponsors to receipt all money collected.

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. Failure to receipt parent/students provides an opportunity for lost/stolen funds.

Recommendation(s)

MLK leadership should ensure all *Sponsorship Agreements* are signed by the Principal prior to Sponsors collecting funds from student/parents. MLK leadership should ensure *Sponsorship Agreements* list all

Sponsor expected to collect funds for a sponsored activity. Also, MLK leadership should ensure that Sponsors follow the Receipts and Collections Section of the *SBS Financial Guidelines*.

Response

All identified and potential Sponsors signed the *Sponsorship Agreement* on March 23, 2017 and the Principal will sign as well. We will ensure that all signatures are secured prior to collecting funds during the 2017-2018 school year. All staff members received a copy of the Receipt and Collections Section of the *SBS Financial Guidelines* and were told how to find the guidelines on APS website for future reference in the March 23rd Sponsors training.

CASH RECEIPT ANALYSIS

Observation #3

Sponsors hold monies from students and/or parents between one (1) to six (6) days before submitting funds to Secretary to post and deposit. Sponsors give funds and receipt to student to deliver to Secretary for deposit. Two receipts (\$155) from a Sponsor's receipt book were not posted and deposited. 11 of 22 receipt books reviewed had incomplete receipts.

The current guidelines require Sponsors to personally deliver funds daily to the Secretary and to never send a student. Also, the guidelines require Sponsors to note on the receipt the date of collection, name of the payee, the amount collected, the activity fund for which the funds are being collected, the collector's signature, and note if the funds are cash, check, or money order.

Failure to deposit collected funds daily and fully complete the receipts decrease internal controls and exposes the school to possible lost or stolen funds.

Recommendation(s)

MLK leadership should recoup the \$155 and deposit the funds into the appropriate sponsored activity account. MLK 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

MLK leadership has requested reimbursement from activity Sponsor for the aforementioned \$155 to be repaid to King Middle School and deposited into the dance account before May 26, 2017.

Observation #4

8 of 33 receipts (24%) did not have proper support documentation (e.g., letter/*Donation Form*, *Receipt Collection Form*, *Ticket Report*, check copy) and/or not always depositing donations into Account 4034, Donations to Schools. *Deposit Slip Detail Forms* were not used to verify count of the Sponsor submission to Secretary.

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. Guidelines require donations be deposited into the activity account, Donation to Schools. 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 maintain financial records is not

adhering to the maintenance and security of school financial records. Failure to use the *Deposit Slip Detail Form* provides no proof of verification of funds submitted to the Secretary by the Sponsor.

Recommendation(s)

MLK 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

MLK leadership reviewed the Receipts and Collections Section of the *SBS Financial Guidelines* after the audit and will follow guidelines as outlined. All staff members received a copy of the Receipts and Collections Section of the *SBS Financial Guidelines* and were told how to find the guidelines on APS' website for future reference in the March 23rd Sponsors training.

CASH DISBURSEMENT ANALYSIS

Observation #5

3 of 30 checks (10%) for amounts between \$2,001 and \$25,000 did not have four written quotes attached and/or available for review. 5 of 30 checks (17%) did not have proper supporting documentation for reimbursement/refund.

The current *Procurement Services Procedures Manual* 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* require all *Reimbursement Requests Forms* have be presented with all original documentation (e.g., invoices, itemized receipts, sales slips).

Failure to seek competitive bids may result in paying higher than necessary prices for goods and services. Also, failure to obtain proper supporting documentation for reimbursement requests may prevent an employee and/or parent from receiving the reimbursement/refund.

Recommendation(s)

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

- Obtain four written quotes for purchases from \$2,001 to \$25,000
- Employees/Sponsors submit all appropriate documentation that clearly justifies his/her reimbursement or refund to student/parent

Response

All staff members received a copy of the Receipts and Collections Section of the *SBS Financial Guidelines* and were told how to find the guidelines on APS' website for future reference in the March 23rd Sponsors training.

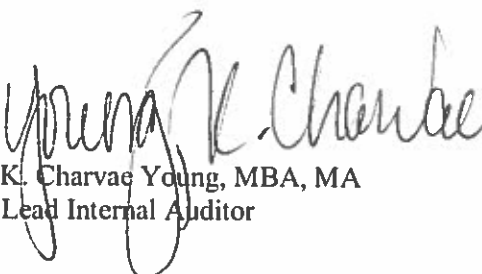
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We want to thank you and your school personnel for their warm welcome and participation throughout this process. It was truly a pleasure working with everyone.

Sincerely,



Cornie Brown, CIA, CRMA
Executive Director, Internal Compliance



K. Charvae Young, MBA, MA
Lead Internal Auditor