

Office of Internal Compliance

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Crawford W. Long Middle School Final Report

June 27, 2017

Ms. Lisa Hill, Principal
Crawford W. Long Middle School
3200 Latona Drive SE
Atlanta, GA 30354

Ms. Hill,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Crawford W. Long Middle School. 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 objectives.

Audit Objective

The objectives of the audit were to determine the processes utilized by Crawford W. Long Middle School 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 (SBS) Financial Guidelines.

Audit Scope

The scope of the audit includes the review of financial records from July 1, 2015 to May 12, 2017 and operational procedures for administering the Miscellaneous Cash Activity 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

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- ✓ Tested Receipts Books for Skipped and/or Voided Receipts

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 on the testwork performed, the following opportunities for improvements were identified and discussed with the school administrators during an exit conference. The opportunities are categorized as General Administration, Cash Receipt Analysis and Cash Disbursement Analysis.

GENERAL ADMINISTRATION

Finding #1 Receipt Books Returned At The End of School Year

The Secretary and Sponsors are not adhering to the Receipt and Collection Section of the *SBS Financial Guidelines*. Infractions included are as follows:

- Sponsors/Secretary not indicating the Return Receipt Book Dates on Sponsorship Agreement (SA). As such, there was no valid indication that all receipt books were being collected by the Secretary at the end of the school year
- Secretary wrote receipt book numbers on Sponsorship Agreement for receipt books that had not been given/issued to Sponsors (e.g. Sponsors were signing SA without having received a receipt book)
- Secretary did not keep school records organized and in accordance to the Records Retention Guideline.

The current *SBS Financial Guidelines* require receipt books be issued to each sponsor and that those books be turned in to the Secretary at the end of each school year for proper storage.

The current *SBS Financial Guidelines* require school records be kept in accordance to the Records Retention Guidelines.

Failure to properly issue and return the receipt books and keep organized records exposes school to possible misappropriated funds and improper storage.

Recommendation(s)

School leadership should ensure the Secretary and Sponsors follow the procedures outlined in the Receipt and Collections and Records Retention section of the *SBS Financial Guidelines*.

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School Leadership should consider establishing a set time for Sponsors (e.g. last day of school) to return the receipt books to the Secretary.

Response

School leadership will collaborate with the Finance Department to develop a detailed Training for Sponsors that includes a PowerPoint presentation outlining the specifics as outlined in the SBS Financial Guidelines. At the conclusion of the training, sponsors will sign an Acknowledgement of Understanding and will sign for their receipt book. Receipt books will be collected at the end of fundraising initiative and/or activities to ensure that all books are collected prior to the end of the school year. This will allow us to have a safety net in case a sponsor separates from APS prior to the end of the school year.

CASH RECEIPT ANALYSIS

Finding #2 Failure to Submit Collected Funds Daily

Monies collected from students and/or parents was held between 1 to 11 days before submitting funds to Secretary for post and deposit.

The current SBS Guidelines require Sponsors to submit funds daily to the Secretary. Failure to submit collected funds daily for deposit exposes the school to possible lost or stolen funds.

Recommendation(s)

- School leadership should ensure the Secretary and Sponsors follow the procedures outlined in the Receipt and Collections section of the SBS Financial Guidelines.
- School leadership should consider establishing a set time (e.g. planning period) for Sponsors to deliver funds to the Secretary. Lastly, the Secretary should consider creating a separate deposit for each daily collection from the Sponsor to ensure accuracy, completeness of the deposit and easier reconciliation to the receipt books and SABO.

Response

School leadership will designate an additional set time (4:00 – 4:30) for Sponsors to deliver money in addition to planning periods. This is essential due to time conflicts with mandatory trainings and meetings that must be held during planning times. Additionally, a secondary person needs to be trained and available in case the Secretary is absent and unavailable to collect funds.

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Finding #3 Failure to Maintain Proper Supporting Documentation for Receipts

13 of 26 receipts (50%) did not have proper supporting documentation (e.g., letter/ Donation Form, yellow receipt copies, check copy, deposit slip, bank bag seal, deposit slip detail form).

3 of 26 (12%) deposit slip detail forms were not signed by the Secretary as proof of verification of funds submitted to the Secretary by the Sponsor.

The Secretary is responsible for keeping adequate documentation for each deposit (e.g. deposit slip, check copies, bank bag seal, yellow copy of receipts). Guidelines require an award letter, copy of check, and supporting documentation for all donations. Per the APS Chart of Accounts, all donations should be posted to account #4034 (Donations to Schools). Also, the Deposit Slip Detail Form (DSD) should be attached to the Deposit Analysis and SABO receipt to show proof of funds/denominations submitted to the Secretary by the Sponsor. These DSD forms should be signed by the Secretary as proof of the actual count of funds submitted to Secretary by Sponsor.

Failure to retain/attach proper documentation for donations and deposits provides an opportunity for misuse of funds and allows for unaccounted funds.

Recommendation(s)

- School leadership should ensure the Secretary and Sponsors follow the procedures outlined in the Receipt and Collections section of the SBS Financial Guidelines.
- The Secretary should ensure a separate deposit is made for all funds collected by the Sponsors.
- The Secretary should ensure yellow receipt copies, check copy, deposit slip, bank bag seal, SABO receipt and deposit slip detail forms are all attached to the Deposit Analysis for accuracy and documentation retention purposes.
- The Secretary should maintain supporting documentation for donations on file at the school and ensure all donations are posted to the correct account (#4034- Donations to Schools) to prevent misuse of funds.

Response

After the 2016-2017 Financial training and feedback, the school Secretary began separating deposits for funds collected from each Sponsor. We will continue this practice. The secretary and the school principal will meet every Monday at 2:45pm to conduct an internal audit of the previous week's transactions to ensure that all documentation is present and accurate. All donations to schools will be deposited into account #4034

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Finding #4 Failure to Deposit Funds into School Bank Account Within 72 Hours

7 of 51 deposits (14%) were not deposited into the school's bank account within 72 hours. The funds were deposited 7 to 8 days late.

1 of 26 deposits (4%) was taken to the bank by the Secretary instead of using the Armored Car Services.

The *SBS Financial Guidelines* requires that deposits not be held in excess of 72 hours. During the audit period, there were some instances where the Secretary was not available or out of the office when Dunbar Armored Services arrived to retrieve the deposits. The school did not have another person with access to the safe to submit the deposits to Dunbar.

Failure to deposit funds timely (within 72hrs) exposes the school to possible lost or stolen funds. Also, failure to use the Armored Car Services for deposits places the school personnel and funds at risk.

Recommendation(s)

School leadership should ensure deposits are sent to the bank timely (within 72hrs) of receiving the funds and transported by the Armored Car Services. Also, leadership should consider implementing a process that includes a second verifier with access to the safe to ensure someone is on hand to submit deposits to Dunbar timely.

Response

School leadership will implement a process that includes a second verifier with access to the safe to ensure someone is on hand to submit deposits to Dunbar timely.

Finding #5 Failure to Record Proper Amount on the Deposit Ticket

3 of 26 deposits (12%) had incorrect amounts written on the deposit slip.

- For receipt #305, OIC noted that the total of yellow receipts (receipt #252016 thru #252021) attached to deposit slip and deposit analysis totaled \$365; however, the deposit was made for \$395. As such, \$30 more was deposited than received. There was no evidence to support the \$30 difference.

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- For receipt #323, OIC noted the deposit amount of \$85.00 listed on the deposit slip did not match the attached receipt (#044127) of \$40.00. There was no evidence to support the \$45.00 difference.
- For receipt #402, OIC noted that the deposit amount of \$566.00 was listed on the deposit slip. However, the correct amount should have been listed as \$586.00 which resulted in a \$20 shortage that was deposited to the bank. There was no evidence to support the \$20 difference.

Failure to record the correct deposit amount on the deposit slip exposes the school to possible lost or stolen funds.

Recommendation(s)

School leadership should recoup the missing deposit and ensure the related student activity account receives credit and use of the funds as originally collected and submitted.

Response

School leadership (Principal) pulled all documentation for receipts #335, #401, #402, and #403 and reviewed with Secretary on June 21, 2017. Errors were discovered such as incorrect deposit bag number and money orders included as a check rather than currency. Principal requested Secretary to scan all documentation and send via email so that it can be provided to the auditor for additional review. School Secretary will attend mandatory training class to learn better strategies for organization such as creating a separate bag based on activity funds. These actions will be included as goals for evaluation next school year.

OIC Response

OIC received and reviewed the supporting documentation from school leadership for receipt #402 and confirmed the \$586.00 was deposited into the bank without exception (saw deposit slip for bag number 8225). OIC verbally recommended to school leadership to keep more organized records to decrease the chance of the appearance of lost or stolen funds. The finding and recommendation will still stand for receipt #305 and #323 as no further documentation was provided.

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CASH DISBURSEMENT ANALYSIS

Finding #6 Failure to Follow APS Procurement Procedures for Purchases over \$2,001

4 of 16 checks (25%) did not have four written quotes for purchase of services over \$2,001 as required by the APS Procurement Policy.

The APS Procurement Services Procedure Manual, *Quotes- purchases under \$25,000* section, requires 4 written quotes be obtained and kept in schools records for purchases of goods and services over \$2,001. These quotes can be obtained by phone, fax, email or catalog. All vendor quotes should be submitted in writing and kept on file at the school.

Failure to obtain 4 written quotes can expose the school to not getting the lowest rate for goods and/or services. Also, it can expose the school to using a company not properly approved as an APS vendor.

Recommendation(s)

School leadership should ensure the Sponsors follow the APS Procurement Services Procedure Manual for purchases.

Response

School leadership will incorporate the APS Procurement Services Procedure as outlined in the manual during a detailed Training for Sponsors and require 4 written quotes for items such as t-shirts, buses, hotels, etc.

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

Tiffany Cherry
Lead Internal Auditor