

Office of Internal Compliance

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ATLANTA
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SCHOOLS

Making A Difference

Henry W. Grady High School Final Report

August 24, 2017

Dr. Betsy Bockman, Principal
Henry W. Grady High School
929 Charles Allen Drive NE
Atlanta, Georgia 30309

Dr. Bockman,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Henry W Grady High School (Grady). 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 Grady 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 May 1, 2015 to June 12, 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 minor 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. Grady's response is included after each finding recommendation.

GENERAL ADMINISTRATION

Observation #1

9 of 24 Sponsors (38%) did not attend training for SY2015-2016. No training administered to 20 of 20 Sponsors (100%) for SY2016-2017

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

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

Recommendation(s)

Grady leadership should ensure that all Sponsors are trained prior to collecting funds from students/parents.

Response

We will hold another Sponsor training during the next faculty meeting on September 12, 2017. We will reach out to SBS to see if a representative can attend or assist in sharing information during the training. Signatures of staff will be collected as documentation of notification of finance processes. Any staff members not present will be trained during planning periods during the remainder of the week.

Observation #2

Sponsors were allowed to collect funds from students/parents without issuing receipts, receiving training or approval to collect funds. OIC test results indicate the following:

- **8 of 31 Sponsors (26%) collected funds from students/parents without issuing receipts.**
- **13 of 31 Sponsors (42%) were allowed to collect funds from students/parents without approval.**
- **No *Fundraising Project Request Forms* were available to review during the audit.**
- **2 of 5 SY2015-2016 *Sponsorship Agreements* were not signed and dated by Principal and did not indicate the return date for all receipt books 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. The guidelines require all fundraising events to be approved by the Principal and Associate Superintendent prior to the activity taking place.

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. 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 and unauthorized collection of funds.

Recommendation(s)

Grady leadership should ensure all Sponsors submit funds, issue receipts to parent/students, and are listed on the *Sponsorship Agreement* at the beginning of each school year. Grady leadership should ensure *Request for Fund Raising Project Forms* are completed and approved by the Principal and Associate Superintendent.

Response

We will ensure that all signatures are secured prior to collecting funds during the SY2017-2018. All staff members will be emailed a copy of the Receipts and Collections Section of the *SBS Financial Guidelines* and will be told how to find the guidelines on APS' website for future reference. A copy of the guidelines was also been placed on Grady High's SharePoint site for quick reference. Any unauthorized fund raising projects that are discovered will be reported to the Principal and appropriate district personnel for appropriate corrective action.

Observation #3

OIC encountered multiple instances where complete financial records were unavailable for inspection and review. The following are a few of the financial records missing and/or unavailable with no explanation from the Secretary.

- **Receipt Books (19 of 37) – 51%**
- **2015 Dunbar Book**
- **Invoices**
- **Support documentation for checks and employee reimbursements**
- **Fundraising Project Request forms**
- **Bank Statements**
- **Check copies**
- **Donation forms**

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 maintain financial records may be an attempt to cover financial improprieties and/or hide noncompliance with policies and procedures.

Recommendation(s)

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

Response

A central location for financial records has been identified. Locking metal storage cabinets will be purchased and labeled to assist in organizing and storing records for easy access and identification.

CASH RECEIPT ANALYSIS

Observation #4

The Secretary and Sponsors are not adhering to the Receipts and Collections Section of the *SBS Financial Guidelines*. Violations included but not limited to the following:

- Secretary wrote receipts from receipt books from April 2009 through July 25, 2016;
- not reconciling receipts (money received) to the receipt book;
- not always recording accurate information on SABO receipt to indicate source of funds;
- hold monies from students and/or parents between four (4) to two hundred ninety-four (294) days before submitting funds to Secretary to post and deposit; and
- Sponsor receipting herself from her issued receipt book.

The current guidelines require the Secretary to verify reconciliation of receipts to the receipt book and issue an official SABO receipt to the Sponsor after verifying funds. Also, the guidelines require Sponsors to submit funds daily to the Secretary.

Failure to reconcile receipts to funds submitted by Sponsors and issue an official SABO receipt exposes the school to possible lost or stolen funds. Failure to deposit collected funds daily decreases internal controls and exposes the school to possible lost or stolen funds.

Recommendation(s)

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

Response

Bookkeeper and sponsor will verify that the amount to be deposited is accurate prior to deposit. SABO record input will be detailed with information about the deposit. Sponsors will be required to provide funds on the day collected during the first fifteen minutes of their planning period. Funds raised after school hours or on weekends must be deposited the next work day. Staff not providing funds for deposit by the next business day will be reported to the principal and district staff for appropriate corrective action.

Observation #5

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

- 7 of 20 receipts (35%) deposits were not verified;
- 16 of 20 receipts (80%) did not have proper support documentation (e.g., letter/*Donation Form*, *Deposit Analysis Report*, yellow receipt copies, check copy) (repeat finding);
- Secretary does not always verify the count before issuing an official SABO receipt; and
- *Receipt Collection Forms* were not used when not using receipt book receipts.

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/receipts. The *Deposit Slip Detail Form* is used to verify funds submitted to the Secretary by the Sponsor. Also, the *Receipt Collection Form* is used to document funds collected for fundraisers when receipt book receipts are not used.

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. Failure to complete the *Receipt Collection Forms* or issue a receipt may expose the school to possible lost or stolen funds collected from parents/students.

Recommendation(s)

Grady 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

Bookkeeper and sponsor will verify that the amount to be deposited is accurate prior to deposit. SABO record input will be detailed with information about the deposit. Sponsors will be required to provide funds on the day collected during the first fifteen minutes of their planning period. Funds raised after school hours or on weekends must be deposited the next work day. Staff not providing funds for deposit by the next business day will be reported to the principal and district staff for appropriate corrective action.

Observation #6

5 of 7 Bank Reconciliation Reports (71%) were not signed and/or submitted between 6 to 41 days late. Two deposits were not verified as deposited into the bank. No second verifier for all deposits.

The *SBS Financial Guidelines* require the Principal to review the entire packet then sign each form that requires his/her signature and e-mail those documents no later than the 15th of each month. The Georgia Department of Education, Local Units of Administration (LUAs) Manual require segregation of duties for cash receipts. The person who prepares the bank deposit should not be the person who approve (verifies) the bank deposit.

Failure to review *Bank Reconciliation Reports* timely may result in unreliable accounting records. Failure to identify a second verifier for deposits weakens the internal controls for cash receipts.

Recommendation(s):

Grady leadership should ensure *Bank Reconciliation Reports* are reviewed, signed, and returned in a timely manner. Grady leadership should ensure all deposits are sent to the bank within 72 hours of receiving the funds. Also, Grady leadership should identify a second verifier.

Response

Dr. Bockman or designee will sign Bank Reconciliation Reports by the fifteenth of the month. A certified instructional staff member with prior administrative/financial experience as a principal will serve as a second verifier.

CASH DISBURSEMENT ANALYSIS

Observation #7

10 of 20 checks (50%) were without proper support documentation and/or were not processed according to *SBS Financial Guidelines*. Violations included but not limited to the following:

- **4 of 20 checks (20%) were approved without the Principal's signature or without proper support documentation;**
- **1 of 20 checks (5%) reimbursed without SBS approval;**
- **5 of 20 (25%) checks did not have four written quotes for purchases over \$2,001; and**
- **19 of 20 checks (95%) were approved without prior written authorization to purchase or invoice (repeat finding).**

The *SBS Financial Guidelines* require *Reimbursement Requests Forms* be presented with all original documentation (e.g., invoices, itemized receipts, sales slips). The guidelines require that checks written to the Principal require pre-approval of SBS. 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. Also, the guidelines require employees to obtain written approval by the Principal prior to making purchases.

Failure to obtain prior written approval for purchases and proper supporting documentation may prevent an employee from receiving the reimbursement. Failure to obtain pre-approval for checks written to the Principal may subject the school to unauthorized disbursement of funds. Failure to seek competitive bids may result in paying higher than necessary prices for goods and services.

Recommendation(s)

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

- Employees/Sponsors submit all appropriate documentation that clearly justifies his/her reimbursement;
- Obtain pre-approval for check amounts written to the Principal;
- Obtain four written quotes for purchases from \$2,001 to \$25,000; and
- Obtain pre-authorization to make purchases that will be submitted for reimbursement.

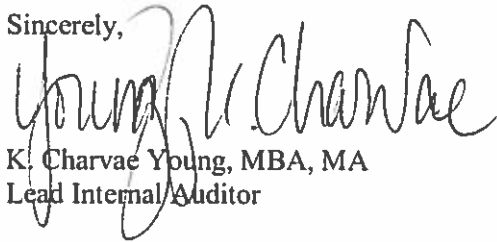
Response

Checks will not be disbursed without a completed Disbursement Pre-authorization Request form and proper documents supporting the request. Reimbursements will not be disbursed prior to Principal approval and proper documentation. The Principal will sign-off on all disbursement requests and checks.

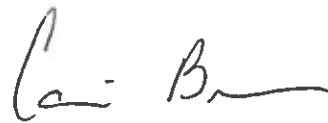
Four quotes for purchases between \$2,001 to \$25,000 will be required to approving services and payment. The procurement guidelines manual will be placed on Grady's SharePoint for staff review.

We want to thank you and your school personnel for their warm welcome and participation throughout this process.

Sincerely,



K. Charvae Young, MBA, MA
Lead Internal Auditor



Connie Brown, CIA, CRMA
Executive Director, Internal Compliance