

## Office of Internal Compliance

130 Trinity Avenue S.W.  
Atlanta, Georgia 30303  
(404) 802-1700 (phone)  
(404) 802-1717 (fax)



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### Samuel M. Inman Middle School Final Report

**September 18, 2017**

Dr. Kevin Maxwell, Principal  
Samuel M. Inman Middle School  
774 Virginia Ave NE  
Atlanta, GA 30306

Dr. Maxwell,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Samuel M. Inman 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 Samuel M. Inman 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 October 1, 2016 to June 30, 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

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- ✓ Tested a sample of Disbursements from Request to Approval /Disbursement
- ✓ 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

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

- 4 of 57 (7%) Sponsors were not listed on the Sponsorship Agreement but listed in SABO as a Receiptee.
- Returned Receipt Book dates were not listed on the Sponsorship Agreements for SY 16-17. **(repeat finding)**
- 10 of 57 (18%) Sponsors did not attending training for SY 16-17. **(repeat finding)**
- 3 receipts books could not be found by the Secretary and were not provided to OIC during the audit.

The current *SBS Financial Guidelines* require receipt books be issued to each sponsor and that those books be returned 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 adhere to the Records Retention guidelines may limit a school's ability to account for and reconcile funds received and disbursed.

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 probability of lost/stolen funds.

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### 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.
- Leadership should ensure proper training is provided to all Sponsors before any school activity fund procedures are performed.

### Response

Inman Middle School immediately following the audit reviewed the procedures in the SBS Financial Guidelines to ensure alignment with these policies. The leadership team will review these with all staff during our October 9-10 Professional Learning Days.

## CASH RECEIPT ANALYSIS

### Finding #2

- Sponsors held monies collected from students and/or parents between 4 and 262 day before submitting funds to the Secretary for post and deposit. **(repeat finding)**
- Sponsor wrote receipt after funds had been submitted to the Secretary for post and deposit.
- Secretary did not reconcile funds submitted by Sponsor to the receipt books. **(repeat finding)**
- Date of receipt not written on receipts in receipt books.
- Receipt numbers (from receipt book) listed incorrectly in SABO by the Secretary.

The current SBS 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.

Failure to submit collected funds daily for deposit and reconcile funds submitted to receipt books 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 ensure through training that receipts are properly completed in the receipt books by the Sponsor.

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- Secretary should ensure receipt numbers from the receipt book receipts are listed correctly in SABO for reconciliation purposes.
- School leadership should ensure the Secretary reconcile the funds collected by the Sponsor to the receipt books for accuracy and completeness.

### Response

Inman Middle School immediately following the audit reviewed the procedures in the SBS Financial Guidelines to ensure alignment with these policies. The leadership team will review these with all staff during our October 9-10 Professional Learning Days.

### Finding #3 (repeat finding)

- **2 of 10 deposits (20%) were not picked-up timely. The funds were picked-up between 6 to 8 days late.**

The *SBS Financial Guidelines* requires that deposits not be held in excess of 72 hours. The late pick-ups were due to the Secretary not being available when Dunbar Armored Services arrived to retrieve the deposit.

Failure to deposit funds timely (within 72hrs) exposes the school to possible lost or stolen funds.

### Recommendation(s)

- School leadership should ensure deposits are sent to the bank timely (within 72 hours of receiving the funds).
- School leadership should ensure deposits are retrieved from the 2<sup>nd</sup> verifier if the Secretary is not available.

### Response

Inman Middle School immediately following the audit reviewed the procedures in the SBS Financial Guidelines to ensure alignment with these policies. The Administrative Assistant and Principal will ensure that all funds are turned in to the Administrative Assistant and a deposit prepared according to the SBS Financial Guidelines policy. The Administrative Assistant shall notify the Principal if, for any reason, funds are not deposited within 48 hours so that the Principal can ensure the deadline of 72 hours is still met.

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### **Finding #4**

- **2 of 10 receipts (20%) did not have check copy attached as supporting documentation.**

The Secretary is responsible for keeping adequate documentation for each deposit (e.g. deposit slip, check copies, bank bag seal, yellow copy of receipts) as best business practices.

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

### **Recommendation(s)**

- The Secretary should ensure check copy, deposit slip, bank bag seal, SABO receipt and deposit slip detail forms are all attached to the Deposit Analysis for best practices and documentation retention purposes.

### **Response**

Inman Middle School immediately following the audit reviewed the procedures in the SBS Financial Guidelines to ensure alignment with these policies. The Administrative Assistant and Principal will ensure check copy, deposit slip, bank bag seal, SABO receipt and deposit slip detail forms are all attached to the Deposit Analysis.

### **Finding #5**

**4 of 7 (57%) bank reconciliations were not reviewed timely by the Principal. Bank Reconciliations were reviewed by the Principal between 8 to 13 days late.**

The SBS Financial Guidelines require the Principal to review the entire packet and then sign each form that requires his/her signature and email those documents no later than the 15<sup>th</sup> of each month.

Failure to review Bank Reconciliation Reports may result in school leadership being unable to address financial issues and irregularities in a timely manner.

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### **Recommendation(s)**

School leadership should ensure Bank Reconciliation Reports are reviewed, signed, and returned no later than the 15<sup>th</sup> of the month and/or no later than 5 business days if received after the 15<sup>th</sup> of the month from Special Revenue Accounting.

### **Response**

Inman Middle School immediately following the audit reviewed the procedures in the SBS Financial Guidelines to ensure alignment with these policies. The Administrative Assistant and Principal have already met to ensure that Bank Reconciliation Reports are done in a timely manner. The plan is to meet at the end of school every day to go over bookkeeping items.

## **CASH DISBURSEMENT ANALYSIS**

### **Finding #6**

- 7 of 10 checks (70%) were approved without prior written authorization to purchase (repeat finding)
- 1 of 10 checks (10%) had no sole source documentation on file
- 1 of 10 checks (10%) over the \$5000 school limit did not have approval from budget before purchase was made

The current SBS Financial Guidelines require employees to obtain written approval by the Principal prior to making purchases. Failure to obtain prior written approval for purchases may prevent a purchase from taking place and an employee from receiving reimbursement.

The current SBS Financial Guidelines lists the check limit for Middle Schools as \$5000. Any check exceeding this amount must have pre-approval from budget (at the central office) before a purchase can be made. OIC noted for the Alabama 4H Center trip, the school did not get approval to pay \$33,922.00 (via check) for the school trip until after the trip had been taken. There was no evidence of prior approval from budget for the \$33,922.00 expenditures before the trip was taken. Also, there was no evidence of sole source documentation kept in the school file.

Failure to obtain prior written approval for purchases exceeding the \$5000 check limit may prevent a purchase from taking place. Failure to retain/attach proper documentation provides an opportunity for misuse of funds.

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### Recommendation(s)

- School leadership should ensure the Sponsors obtain prior written approval (via email or the Pre-Authorization Disbursement Request form) before making purchases and requesting reimbursement.
- School leadership should ensure the Sponsors follow the APS Procurement Services Procedure Manual and SBS check limit guidelines for purchases.

### Response

Inman Middle School immediately following the audit reviewed the procedures in the SBS Financial Guidelines and Procurement Process Manual to ensure alignment with these policies. Moving forward, employees will complete and sign their own Disbursement Request Forms. Employees will be required to obtain prior approval for the purchase of items for which they plan to see reimbursement. We also discussed with staff that the \$5,000 check limit also includes field trips.

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