

Office of Internal Compliance

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ATLANTA
PUBLIC
SCHOOLS

Making A Difference

Coretta Scott King Young Women's Leadership Academy Final Report

October 25, 2017

Ms. Eulonda Washington, Principal
Coretta Scott King Young Women's Leadership Academy
1190 Northwest Drive NW
Atlanta, Georgia 30318

Ms. Washington,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Coretta Scott King Young Women's Leadership Academy (CSK). 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 CSK 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 July 31, 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. The Secretary's internal controls for cash collection were impeccable. This report is with the understanding that both the Principal and Secretary began their employment at CSK during July 2016. 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. CSK's response is included after each finding recommendation.

GENERAL ADMINISTRATION

Observation #1

No evidence that training was administered to 23 of 23 Sponsors (100%) for SY2015-2016 and SY2016-2017. Although training was not administered to Sponsors, CSK allowed them to collect funds from students and parents.

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)

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

Response

One-on-one training in addition to a Sponsor review of duties/responsibilities each semester.

Observation #2

CSK leadership did not ensure that the *Sponsorship Agreements* for SY2015-2016 and SY2016-2017 were signed by the Principal and completed thoroughly.

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)

CSK leadership should ensure *Sponsorship Agreements* are completed and signed, receipt books collected, and all Sponsors are listed on the *Sponsorship Agreement* at the beginning of each school year.

Response

Will meet monthly with the Principal to review agreements, receipt books, etc.

Observation #3

Complete financial records were unavailable for inspection and review. Receipt books from 12 of 23 Sponsors (52%) were missing and/or unavailable. Dunbar books for bank deposits during August 2015 through November 2015 were not available for 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. The guidelines require all fundraising events to be approved by the Principal and Associate Superintendent prior to the activity taking place.

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

Recommendation(s)

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

Response

During training with the Sponsors, I will inform them that at the end of the year they will have to return receipt books and sign and date Sponsorship Agreement form. All Dunbar books will remain in the bookkeeper file cabinet that can be locked for future review.

CASH RECEIPT ANALYSIS

Observation #4

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

- **10 of 15 receipts (67%) missing support documentation (e.g., check copy, receipt book receipts, donation form/letter, *Deposit Analysis Report*, *Deposit Slip Detail*);**
- **Retaining donations that will exceed \$10,000 from one benefactor; and**
- **Sponsors hold monies between one (1) to fifty-two (52) days before submitting funds to Secretary to post and deposit.**

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 current guidelines require donations or grants that will exceed \$10,000 from a single benefactor to be maintained, budgeted, and expended through the District's financial system (Lawson). Also, the guidelines require Sponsors to submit funds daily to the Secretary.

Failure to maintain financial records is not adhering to the maintenance and security of school financial records. Failure to submit donations that will exceed \$10,000 to Special Revenue Accounting lead to noncompliance to IRS code section 170(c) (1). Failure to deposit collected funds daily decreases internal controls and exposes the school to possible lost or stolen funds.

Recommendation(s)

CSK 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 will ensure that no documentation is missing, that the Sponsors turn in funds in a timely manner, and donations in the amount of \$10,000 or over will go through the proper channel with the Special Revenue Team.

Observation #5

7 of 10 Bank Reconciliation Reports (70%) were dated and/or returned between seven (7) to thirty (30) days late.

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.

Failure to review *Bank Reconciliation Reports* timely may result in unreliable accounting records.

Recommendation(s):

CSK leadership should ensure *Bank Reconciliation Reports* are reviewed, signed, and returned in a timely manner.

Response

I will attach the dated e-mail that shows when the Reconciliation was forwarded, review with the Principal to obtain signature, return to SBBP, and place in monthly folder.

CASH DISBURSEMENT ANALYSIS

Observation #6

13 of 13 checks (100%) were without proper support documentation according to *SBS Financial Guidelines*. Violations included but not limited to the following:

- **13 of 13 disbursements (100%) were approved without prior written authorization to purchase or invoice**
- **2 of 13 (6%) disbursements did not have four written quotes for purchases over \$2,001**

The *SBS Financial Guidelines* require employees to obtain written approval by the Principal prior to making purchases. 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.

Failure to obtain prior written approval for purchases may prevent an employee from receiving the reimbursement. Failure to seek competitive bids may result in paying higher than necessary prices for goods and services.

Recommendation(s)

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

- Obtain pre-authorization to make purchases that will be submitted for reimbursement
- Obtain four written quotes for purchases from \$2,001 to \$25,000

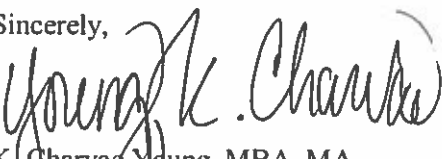
Ms. Washington
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Response


One-on-one training in addition to a Sponsor review of duties/responsibilities each semester.
We want to thank you and your school personnel for their warm welcome and participation throughout this process.

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Sincerely,



K. Charvae Young, MBA, MA
Lead Internal Auditor



Connie Brown, CIA, CRMA
Executive Director, Internal Compliance