

Office of Internal Compliance

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Jean Childs Young Middle School

August 20, 2018

Ms. Kara Stimpson, Principal
Jean Childs Young Middle School
3116 Benjamin E. Mays Drive SW
Atlanta, Georgia 30311

Ms. Stimpson,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Jean Childs Young 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 Jean Childs Young 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, 2016 to June 30, 2018 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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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

Observation #1

- **No Sponsorship Agreements found and provided to OIC for SY 16-17 and SY 17-18**
- **No evidence of Sponsor training on file for SY 16-17 and SY 17-18**
- **No receipt books found and provided to OIC for SY 16-17 and SY 17-18**

All Sponsors should sign a Sponsorship Agreement before any school activity fund procedures are performed. These Sponsorship Agreements should be approved by the Principal prior to the collection of any school activity funds and retained in school files. Failure to obtain Sponsorship Agreement can expose the school to unauthorized collection of funds and probability of lost/stolen funds.

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.

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. 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 adhere to the Records Retention guidelines may limit a school's ability to account for and reconcile funds received/disbursed and the ability to produce financial records if required.

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Recommendation(s)

- School Leadership should ensure Sponsorship Agreements are obtained and proper training is provided to all Sponsors prior to the collection of any school funds.
- 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.

Response

Sponsorship Agreements and receipt books will not be used as there are no current staff authorized to collect funds. Funds will only be collected by the Secretary going forward and SABO receipts will be issued. Record Retention procedures will be followed by the Secretary.

CASH RECEIPT ANALYSIS

Observation #2

- For 2 of 12 receipts (17%), funds were held by Sponsors between 5 to 10 days before being submitted to Secretary for posting and deposit
- 6 of 12 receipts (50%) had no Deposit Slip Detail on file
- 5 of 12 receipts (42%) had no record of files found and provided to OIC

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.

The Secretary is responsible for keeping adequate documentation for each deposit (e.g. deposit analysis, deposit slip detail form, deposit slip, check copies, bank bag seal, yellow copy of receipts, SABO receipt, receipt collection form) as best business practices. Failure to retain/attach proper documentation for deposits provides an opportunity for misuse of funds and allows for unaccounted funds.

The current *SBS Financial Guidelines* require school records be kept in accordance to the Records Retention Guidelines. 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 adhere to the Records Retention guidelines may limit a school's ability to account for and reconcile funds received/disbursed and the ability to produce financial records if required.

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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 which states Sponsors are required to write receipts and submit funds daily to the Secretary.
- 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 accuracy and documentation retention purposes.
- 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.

Response

Funds will only be collected by the Secretary going forward. Record Retention procedures will be followed by the Secretary. Deposit slip detail forms will be used going forward.

Observation #3

- **There were no Bank Reconciliation packets found for 2 of 7 (29%) deposits**
- **2 of 7 (29%) Bank Reconciliations were not signed timely by the Principal. The Bank Reconciliations were signed between 6 to 11 calendar 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 to their assigned Accounting person no later than the 15th 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.

Recommendation(s)

- School leadership should ensure Bank Reconciliation Reports are reviewed, signed, dated and returned to their assigned Accounting person no later than the 15th of the month and/or no later than 5 business days if received after the 15th of the month from Special Revenue Accounting.
- School leadership should ensure the Secretary follows the procedures outlined in the Records Retention section of the SBS Financial Guidelines.

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Response

The School Business Manager will ensure this timeline is followed for the bank reconciliations and that items for signature are provided to the Principal weekly. Information will be kept in school files for record retention.

CASH DISBURSEMENT ANALYSIS

Observation #4

- **8 of 10 (80%) checks had no written prior approval before purchase was made**
- **5 of 10 (50%) checks had no Disbursement Request form on file**
- **2 of 10 (20%) checks had no supporting documentation on file**

The current SBS Financial Guidelines require all disbursement requests must be submitted on a Disbursement Request Form (with all original documentation i.e. invoices or receipts) and approved by the Principal before disbursements are made. Failure to complete the form and obtain proper approval for purchases may prevent a vendor and/or an employee from receiving reimbursement.

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

Recommendation(s)

- School leadership should ensure prior written approval (via the Pre-Authorization Disbursement Request form) before making purchases and requesting reimbursement.
- School leadership should ensure the Disbursement Request form is completed by the Sponsor, reviewed by the Secretary and approved by the Principal before checks are generated and disbursed.
- School leadership should ensure all refunds and voids supporting documentation is kept in school files for document retention purposes.

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Response

The Pre-Authorization Disbursement Request form will be used before making purchases and requesting reimbursement going forward. Also, the Disbursement Request form will be completed by the Teacher, reviewed by the Secretary and approved by the Principal before checks are generated and disbursed. All supporting checks, refunds and voids information will be kept in school files for record retention.

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, CFE
Lead Internal Auditor