

Office of Internal Compliance

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Ralph J. Bunche Middle School Final Report

September 28, 2018

Mr. Octavius Harris
Ralph J. Bunche Middle School
1925 Niskey Lake Rd SW
Atlanta, GA 30331

Mr. Harris,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Ralph J. Bunche Middle School (Bunche). 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 Brandon 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 November 9, 2017 to July 25, 2018 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 lack enforcement of the *SBS Financial Guidelines*. Based upon the testing performed and understanding new leadership began July 2018, 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. Bunche's response is included after each observation recommendation.

GENERAL ADMINISTRATION

Observation #1

Secretary did not attend School Activity Banking Online (SABO) training for SY2018-2019.

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 a probability for lost/stolen funds.

Recommendation(s)

Bunche leadership should ensure the Secretary attends training prior to collecting funds from Sponsors and students/parents.

Response

Shante Johnson will conduct SABO training with the Secretary on October 9, 2018 to ensure compliance.

Observation #2 (Repeat)

Sponsorship Agreements for FY2017-2018 was not signed by the Principal. 3 of 3 Sponsors (100%) collected funds from students/parents and did not have a Sponsorship Agreement. Also, Bunche is not ensuring that Request for Fund Raising Project Forms are submitted for fundraisers.

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. 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.

Recommendation(s)

Bunche leadership should ensure *Request for Fund Raising Project Forms* are completed and approved by the Principal and Associate Superintendent prior to issuing receipt books to Sponsors for fundraising activities. Bunche leadership should ensure the *Sponsorship Agreements* are completed at the beginning of each school year.

Response

Request for Fund Raising Project Forms will be submitted to the school Business Manager for an initial review, and then the Principal for final approval before any initiatives can begin. Persons who plan to engage in such activities will be advised of the necessary training(s) that must occur, and will be required to submit proof of completion of said trainings to the school Business Manager before a receipt book can be issued.

Observations #3

Complete financial records were unavailable for inspection and review. 3 of 4 *Reconciliation Reports* (75%) were not available for review.

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)

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

Response

The Principal and Business Manager will discuss the protocol of maintaining financial documents as per the Records Retention Guidelines with the Secretary to ensure understanding. On-going monitoring will be implemented for compliance purposes.

CASH RECEIPT ANALYSIS

Observation #4 (Repeat)

One Sponsor holds monies from students and/or parents between one (1) to seven (7) days before submitting funds to Secretary to post and deposit.

The current guidelines require Sponsors to submit funds daily to the Secretary.

Failure to deposit collected funds daily decreases internal controls and exposes the school to possible lost or stolen funds.

Recommendation(s)

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

Response

All Sponsors will be instructed to submit funds daily. Funds will be collected and counted daily. Persons who are not in compliance with this directive will be issued a written warning and face the possibility of being removed as a Sponsor.

Observation #5 (Repeat)

6 of 13 receipts (46%) missing support documentation (e.g., *Receipt Collection Form*, *Donation Form*/letter, *Deposit Slip Detail*, written quotes).

The current guidelines require the Sponsor to provide a pre-numbered receipt or complete a *Receipt Collection Form* when collecting monies from students/parents. Guidelines require an award letter, copy

of check, and supporting documentation to be filed for donations. Also, the *Deposit Slip Detail Form* is used to verify denomination of funds submitted to the Secretary by the Sponsor. The current *Procurement Services Procedures Manual* requires purchases from \$2,001 to \$25,000 to have two written quotes via phone, fax, e-mail, or catalog.

Failure to properly complete the *Receipt Collection Forms* or issue a receipt may expose the school to possible lost or stolen funds collected from parents/students. Failure to obtain and retain letter/*Donation Form* provides an opportunity for donated funds to be misused. Failure to use the *Deposit Slip Detail Form* provides no proof of verification of the denomination of funds submitted to the Secretary by the Sponsor. Failure to seek competitive bids may result in paying higher than necessary prices for goods and services.

Recommendation(s)

Bunche leadership should ensure the designated bookkeeper and all Sponsors follow the procedures outline in the Administrative Responsibilities and Receipts and Collections section of the *SBS Financial Guidelines* and the *Procurement Services Procedures Manual*.

Response

The *SBS Financial Guidelines* and the *Procurement Services Procedures Manual* will be reviewed by the Secretary and Business Manager to ensure understanding and compliance of the collection and documentation of funds.

Observation #6 (Repeat)

5 of 7 deposits (71%) were not deposited into the school's bank account within 72 hours. These deposits were between 7 to 18 days late.

The *SBS Financial Guidelines* requires the deposits not be held in excess of 72 hours.

Failure to ensure funds are deposited within 72 hours may appear as petty cash and/or provide an opportunity for lost or stolen funds.

Recommendation(s)

Bunche leadership should ensure that all deposits are sent to the bank within 72 hours of receiving the funds.

Response

This expectation will be reiterated to the Secretary and monitored weekly to ensure compliance.

CASH DISBURSEMENT ANALYSIS

Observation #7 (Repeat)

12 of 14 disbursements (86%) were without proper support documentation (e.g., *Disbursement Pre-authorization Request*, original receipts) and/or Principal approval. Also, all *Reimbursement Requests Forms* were completed by the Secretary and not the individual requesting the disbursement.

We also determined that a disbursement for \$719.92 was approved and processed before the employee incurred the expense.

The *SBS Financial Guidelines* require that employee reimbursements require evidence of prior written approval by the Principal prior to purchase. The guidelines require *Reimbursement Requests Forms* be presented with all original documentation (e.g., invoices, itemized receipts, sales slips). Also, the guidelines require the Principal's approval prior to check disbursement.

Failure to obtain prior written approval for purchases and proper supporting documentation may prevent an employee from receiving the reimbursement. Failure to obtain written approval from the Principal to initiate a project may become the responsibility of the employee. Failure to have employees complete and sign *Disbursement Request Forms* decreases internal controls and provides a possibility of improper disbursement of funds.

Recommendation(s)

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

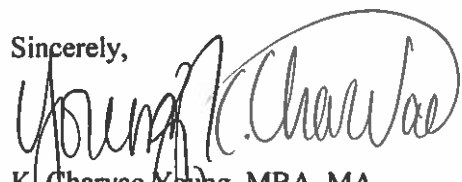
- Obtain prior written approval to the purchase of items they plan to seek for reimbursement;
- Employees/Sponsors submit all appropriate documentation that clearly justifies his/her reimbursement;
- Approval of *Disbursement Request Forms* prior to dispensing checks; and
- Employees complete and sign their own *Disbursement Request Forms*.

Response

Employees requesting reimbursement for any reason must seek the prior approval of the Business Manager and Principal. The *Disbursement Pre-authorization Request* will be required and must be approved before any purchases can be made. Thereafter, and upon submission of a receipt, a *Disbursement Request Form* will be completed and approved before repayment occurs.

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