



ATLANTA
PUBLIC
SCHOOLS

Office of Internal Compliance

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Morris Brandon Elementary School Final Report

September 10, 2018

Mr. Jacob Bland, Principal
Morris Brandon Elementary School
2741 Howell Mill Rd NW
Atlanta, Georgia 30327

Mr. Bland,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Morris Brandon Elementary School (Brandon). 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 July 1, 2017 to August 10, 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 appear adequate, but lack minor administrative protocols. 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. Brandon's response is included after each observation recommendation.

GENERAL ADMINISTRATION

Observation #1

Several financial records were unavailable from the prior administration (*prior admin*) for inspection and review during the audit. One receipt book, four *Reconciliation Reports*, and three Receipt records 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)

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

Response

The new Bookkeeper has a system for maintaining financial records which are within the Records Retention Guidelines.

CASH RECEIPT ANALYSIS

Observation #2

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

- **No verification of count between the Secretary and Sponsor**

The School Secretary must verify funds before issuing an official SABO generated receipt to the Sponsor.

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

Recommendation(s)

Brandon ES 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

When cash is received from a Sponsor, funds will be counted between the bookkeeper and Sponsor.

Observation #3

2 of 8 Bank Reconciliation Reports (25%) were signed by the prior administration (prior admin) between 12 to 36 days late. No second verifier identified 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):

Brandon ES leadership should ensure *Bank Reconciliation Reports* are reviewed and returned in a timely manner. Brandon ES leadership should identify a second verifier.

Response

Bank Reconciliation Reports will be reviewed and return in a timely manner. Leadership will designate a second verifier.

CASH DISBURSEMENT ANALYSIS

Observation #4

11 of 13 disbursements (85%) were without proper support documentation and/or were not processed according to *SBS Financial Guidelines*. Violations included but not limited to the following:

- **11 of 13 Disbursement Request (85%) were not signed by the Requester;**
- **7 of 13 Disbursement Request (54%) without prior written authorization (prior admin); and**
- **2 of 13 Disbursement Request (15%) without Budget approval for checks over \$2,000 (prior admin).**

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 two 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. Failure to obtain pre-approval for check exceeding limit may subject the school accounts to suspension.

Mr. Bland
Page 4 of 4
September 10, 2018

Recommendation(s)

Brandon ES 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 two written quotes for purchases from \$2,001 to \$25,000; and
- Obtain Budget pre-approval for checks that exceed the limit.

Response

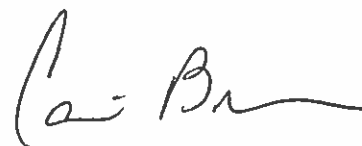
The bookkeeper will follow the financial guidelines for disbursements.

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