

Office of Internal Compliance

130 Trinity Avenue S.W.
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Paul L. Dunbar Elementary School

August 30, 2018

Mr. Earnest Sessoms, Principal
Paul L. Dunbar Elementary School
500 Whitehall Terrace, SW
Atlanta, Georgia 30312

Mr. Sessoms,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Paul L. Dunbar Elementary 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 Paul L. Dunbar Elementary 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**
- **No evidence of Sponsor training on file for SY 16-17 and SY 17-18**
- **No receipt books found for 6 of 13 (46%) Sponsors and provided to OIC for SY 16-17 and SY 17-18**
- **No Sponsorship Agreement on file for 2 of 13 (15%) Sponsors for SY 17-18**

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 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 before any school activity fund procedures are performed.
- 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

Key staff have been identified per grade level and non-homeroom staff to receive training and receipt books. The Secretary will conduct a training for all personnel in lieu of staff meeting. After the training, the Sponsorship Agreement will be signed and documentation retention procedures will be followed.

CASH RECEIPT ANALYSIS

Observation #2

- Funds were held by Sponsors between 2 to 6 days before being submitted to Secretary for posting and deposit
- There is no 2nd verifier who counts the money with the Secretary before money is sealed in the bank bag
- 7 of 10 receipts (70%) 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. Also, failure to have a 2nd verifier to count funds before money is sealed in bank bag 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/dispensed 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.
- 2nd verifier should be designated to count funds before money is sealed in bank bag to ensure accuracy and best practices. 2nd verifier should sign the Deposit Analysis as proof of count.
- 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

Only staff that have attended training and signed the Sponsorship Agreement will receive receipt books. Sponsors will submit funds daily to the Secretary for deposit. The School Attendance Clerk, Ms. Redding will serve as the 2nd verifier for all funds collected prior to being sealed in the bank bags. Ms. Redding will also sign the Deposit Analysis.

Observation #3

- **There were no Bank Reconciliation packets found for 4 of 7 (57%) deposits**
- **2 of 7 (29%) Bank Reconciliations were not signed timely by the Principal. The Bank Reconciliations were signed between 26 to 45 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 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 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 follow the procedures outlined in the Records Retention section of the SBS Financial Guidelines.

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Response

As Bank Reconciliation reports are email, the Principal will verify and sign immediately. The Secretary, Ms. Hadley, will forward the signed forms to the Accounting department.

CASH DISBURSEMENT ANALYSIS

Observation #4

- 8 of 10 (80%) checks had no written prior approval before purchase was made
- 1 of 10 (10%) checks had no Disbursement Request form on file
- 2 of 10 (10%) 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.

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.

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.

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- School leadership should ensure all checks supporting documentation is kept in school files for document retention purposes.

Response

The Principal will ensure any staff making purchases for school business have completed the Pre-Authorization Disbursement Request Form prior to making purchases. The Principal and Secretary will ensure the Sponsor has completed the Disbursement Request Form before a check is generated and disbursed. The Principal and Secretary will ensure that all checks have supporting documentation (invoices, receipts, etc.) and kept on file for document 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