

Office of Internal Compliance

130 Trinity Avenue S.W.

Atlanta, Georgia 30303

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Cascade Elementary School

September 24, 2018

Ms. Tiffany Momon, Principal
Cascade Elementary School
2326 Venetian Drive, SW
Atlanta, GA 30311

Ms. Momon,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Cascade 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 Cascade 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

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 completed for SY 16-17 and SY 17-18 (Repeat Finding)**
- **No list of Sponsors on file for SY 16-17 and SY 17-18**
- **No evidence of Sponsor training on file for SY 16-17 and SY 17-18 (Repeat Finding)**
- **No receipt books were found and provided to OIC for SY 16-17 and SY 17-18 (Repeat Finding)**

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

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.

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.

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Response

- Going forward, School Leadership will ensure Sponsorship Agreements are obtained and proper training is provided to all Sponsors before any school activity fund procedures are performed.
- Going forward, School Leadership will ensure the Bookkeeper and Sponsors follow the procedures outlined in the Receipt and Collections and Records Retention section of the SBS Financial Guidelines.

CASH RECEIPT ANALYSIS

Observation #2

- 9 of 10 (90%) receipts had no Deposit Slip Detail form on file
- 1 of 10 (10%) receipts had no yellow copy of receipts on file
- 1 of 10 (10%) receipts had no check copy on file
- 1 of 10 (10%) receipts had no supporting documentation on file
- The Secretary does not reconcile funds received from Sponsors to receipts from receipt book before deposit into SABO (Repeat Finding)
- The Secretary indicated “Direct Deposit” on all SABO generated receipts for funds receipted in receipt book by Sponsors (Repeat Finding)
- There is no 2nd verifier who counts the money with the Secretary before money is sealed in the bank bag

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. Also, failure to reconcile receipts to receipt books exposes the school to possible lost or stolen funds. Lastly, 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/disbursed and the ability to produce financial records if required.

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Recommendation(s)

- The Secretary should ensure yellow receipt copy, deposit slip, check copies, bank bag seal, SABO receipt and deposit slip detail forms are all attached to the Deposit Analysis for accuracy and documentation retention purposes.
- The Secretary should ensure receipts received from Sponsors are reconciled to the receipt book prior to deposit into SABO.
- The Secretary should ensure “Direct Deposit” is not listed on SABO generated receipts for funds receipted in the receipt book. The begin and end number of the receipt from the receipt book should be listed on the SABO receipt.
- 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

- Going forward, the Bookkeeper will ensure the yellow receipt copy, check copies, 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.
- Going forward, the Bookkeeper will ensure receipts received from Sponsors are reconciled to the receipt book prior to deposit into SABO.
- Going forward, the Bookkeeper will ensure “Direct Deposit” is not listed on SABO generated receipts for funds receipted in the receipt book. Also, the Bookkeeper will ensure the begin and end number of the receipt from the receipt book is listed on the SABO receipt.
- Going forward, a 2nd verifier will be designated to count funds before money is sealed in bank bag to ensure accuracy and best practices. The 2nd verifier will sign the Deposit Analysis as proof of count.
- Going forward, School Leadership will ensure the Bookkeeper and Sponsors follow the procedures outlined in the Receipt and Collections and Records Retention section of the SBS Financial Guidelines.

Observation #3

- **7 of 8 (88%) Bank Reconciliations were not signed by the Principal**

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.

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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.

Response

- Going forward, School Leadership will 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.
- Going forward, School Leadership will ensure the Secretary follow the procedures outlined in the Records Retention section of the SBS Financial Guidelines effective.

CASH DISBURSEMENT ANALYSIS

Observation #4

- **9 of 10 (90%) checks had no prior written authorization before purchase was made (Repeat Finding)**
- **1 of 10 (10%) checks had no supporting documentation on file**
- **1 of 10 (10%) checks had no supporting receipt/invoice documentation on file**

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 all checks supporting documentation (including all receipts/invoices) is kept in school files for document retention purposes.

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Response

- Going forward, School Leadership will ensure prior written approval (via the Pre-Authorization Disbursement Request form) is obtained before making purchases and requesting reimbursements.
- Going forward, School Leadership will ensure all checks supporting documentation (including all receipts/invoices) is kept in school files for document retention purposes.

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