

## Office of Internal Compliance

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### Booker T. Washington High School Final Report

May 20, 2020

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Dr. Coaxum-Young,

The Office of Internal Compliance performed an operational and compliance audit on the Miscellaneous Cash Activity Account Fund (MCAAF) administered by Booker T. Washington High School (BTW). 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 BTW to perform cash collections derived from school based activities and to determine whether disbursement processes were performed according to established procedures documented in the *Atlanta Public Schools (APS) Finance Policies and Procedures Manual*.

#### Audit Scope

The scope of the audit includes the review of financial records from July 1, 2019 to January 31, 2020 for elementary, middle schools and high schools.

#### Audit Procedures

We performed the following tests to achieve our objective:

- Analyzed the audit questionnaire;
- Surveyed and interviewed selected school personnel;
- Tested a sample of receipts from collection approval to bank deposit;
- Tested a sample of disbursements from request to approval/disbursement; and
- Reviewed bank reconciliations for abnormal reconciling transactions.

#### Audit Conclusion

The controls to ensure proper cash handling of funds, recording and depositing of the cash, and the disbursement of funds are not effective and require re-enforcement to mitigate the following risks:

- Unauthorized collection of funds;
- Unauthorized and inaccurate count of funds;
- Unauthorized disbursement of funds; and
- Inaccurate and unauthorized bank reconciliations.

Based upon the testing performed, the following opportunities for improvements were identified and discussed with school administrators during an exit conference. The opportunities are categorized as Training, Cash Management, Check Disbursements, and Monthly Bank Reconciliations. BTW's response is included after each observation recommendation.

## **TRAINING**

### **Observation #1**

**3 of 12 Sponsors (25%) did not attend the school cash activity training conducted by School Administration.**

The *Atlanta Independent School System Finance Policies and Procedures Manual* requires all Sponsors to have training to manage school activity funds and collect fees.

Untrained Sponsors provide the opportunity for unauthorized collection of monies and a probability for lost/stolen funds.

### **Recommendation(s)**

BTW leadership should consider developing and implementing a process to monitor the attendance of each Sponsors' participation in the required training. Also, leadership should ensure that Sponsors do not collect any school activity funds and fees from students/parents prior to training.

**Implementation Plan:** Training for all teachers, coaches, and club Sponsors will be mandated during pre-planning week. A signed record of training will be kept on file in the bookkeeper's office. Training will be scheduled within a two-week timeframe for all new teachers, coaches, and/or club Sponsors.

## **New Hires**

Our HR Assistant Principal (Ms. Moore) will notify the Bookkeeper and the Operations Assistant Principal of any new hires to ensure they are trained within two weeks of their hire date.

## **Training Participation Monitoring**

A training log will be maintained in the bookkeeper's office in a training binder. Before distributing receipt books, the bookkeeper must verify that the requestor has been trained. If trained, the Sponsor/coach/advisor may collect funds. If they have not been trained, the bookkeeper will offer the training within one week of acknowledgement of non-training. Funds may not be collected until training is completed and updated on the training log.

The monitoring of training binder (Which will hold the training log and the signed agreement forms) will be the primary responsibility of the bookkeeper. The Operations Assistant Principal will Audit the log at the start of each semester.

Our Operations Assistant Principal (Mr. Harris) will monitor attendance at the training. Make-up training will be offered within one week of the initial training date.

**Implementation Date:** July 2020 – May 2021

**Person Responsible for Implementation:** Primary Responsibility-Bookkeeper; Communication Responsibility: Athletic Director and Assistant Principals

## **CASH MANAGEMENT**

### **Observation #2**

**7 of 12 Sponsors (58%) did not have a *Sponsorship Agreement* form on file.**

The *Atlanta Independent School System Finance Policies and Procedures Manual* requires all Sponsors to sign a Sponsorship Agreement to properly document the principal's approval of activities, designation of approved Sponsors, and documentation of the assigned receipt books.

Absence of approval by the Principal and agreement by the Sponsor provides an opportunity for unauthorized collection of monies and a probability for lost/stolen funds.

### **Recommendation(s)**

BTW leadership should consider developing and implementing a process to ensure the Sponsor's completion and the Principal's approval of all *Sponsorship Agreements* before any activity or fundraiser is conducted at the school.

**Implementation Plan:** During the pre-planning mandated teacher/Sponsor/coach training, all participants will be required to sign and submit a *Sponsorship Agreement Form* at the conclusion of the training. Signed copies of the *Sponsorship Agreement Forms* will be kept on file in the bookkeeper's office. Additionally, training will be scheduled within a two-week timeframe for all new teachers, coaches, and/or club Sponsors.

**Implementation Date:** July 2020 – May 2021

**Person Responsible for Implementation:** Primary Responsibility-Bookkeeper; Communication Responsibility: Athletic Director and Assistant Principals

### **Observation #3**

**5 of 14 receipts (36%) were verified for deposit by the same person who received and recorded the cash.**

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 approves (verifies) the bank deposit.

Inappropriate segregation of duties during bank deposit preparation will increase the risk of fraud by theft of funds.

### **Recommendation(s)**

BTW leadership should identify a second verifier.

**Implementation Plan:** BTW will identify two verifiers to ensure sustained compliance of bank deposit review. Both verifiers will be trained at the start of the school year by the bookkeeper. Any one of the

two verifiers will be used before any deposit is made. The duty of verifier will begin immediately after training.

**Implementation Date:** July 2020

**Person Responsible for Implementation:** Bookkeeper/Training; School Secretary/ Verifier 1 and Dedicated Assistant Principal/Verifier 2.

## **CHECK DISBURSEMENTS**

### **Observation #4**

**10 of 15 checks (67%) did not have an approved *Disbursement Preauthorization Request Form* prior to purchases.**

The *Atlanta Independent School System Finance Policies and Procedures Manual* requires all Student Activity Banking Online (SABO) purchases to have written approval by the Principal prior to any proposed purchase and purchase using the required *Disbursement Pre-authorization Request Form*.

Absence of prior written approval by the Principal prior to proposed purchases and purchases may result in the employee/Sponsor not receiving reimbursement and may obligate the school without the Principal's knowledge.

### **Recommendation(s)**

BTW leadership should consider developing and implementing a process to ensure no purchases are made prior to authorization provided by the Principal.

**Implementation Plan:** A locally developed preapproval form will be utilized for teachers requesting funds for purchases or reimbursements. The form will be reviewed during the bookkeeper training at the start of the year. Any requests for reimbursement or purchase that does not accompany a principal authorized pre-approval form will be denied.

**Implementation Date:** July 2020

**Person Responsible for Implementation:** Bookkeeper and/or School Secretary and Principal

## **MONTHLY BANK RECONCILIATIONS**

### **Observation #5**

**2 of 3 *Monthly Bank Reconciliations* (67%) did not have the required comments noted on front page or were missing supporting documentation as follows:**

- **Comments related to journal entries made by accounting services during the month, as well as reconciling items, were not included on the face of the reconciliation for September and November 2019. In addition, support for the missing items was not contained in the reconciliation packet and**
- **A journal entry performed in October did not clear until November.**

**Note:** The *Bank Reconciliations* were determined to be correct after obtaining explanations from Accounting Services and reviewing the journal entries support documentation and associated SABO system activity.

The *Atlanta Independent School System Finance Policies and Procedures Manual* requires the following:

- Accounting Services should provide all comments to assist and provide the Principal with enough information to conduct additional research prior to signing.
- Principals to certify the accuracy of the reports and acknowledge that the account balances have been reviewed.
- A complete Bank Reconciliation packet should contain any journal entries processed by Accounting Services to reconcile the account.

Not performing a thorough review of the *Bank Reconciliation* and not providing all support documentation may result in unreliable accounting records and inaccurate financial reporting.

**Recommendation(s):**

BTW leadership should review the *Monthly Bank Reconciliation Packets* to ensure the accuracy of the reports and account balances. Accounting Services should ensure all comments are accurate in the comment section and all support documentation are included in the *Monthly Bank Reconciliation Packet*.

**Implementation Plan:** A reconciliation packet review/signature meeting will be held between the bookkeeper and the principal each time a new packet is due. This meeting will ensure the packets have the necessary comments and supporting documentation enclosed before signatures.

**Implementation Date:** July 2020

**Person Responsible for Implementation:** Bookkeeper and Principal

We want to thank you and your school personnel for their warm welcome and participation throughout this process.

Sincerely,

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