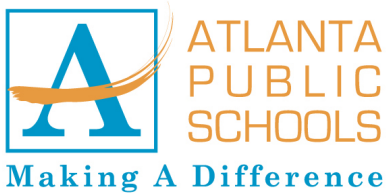


## Office of Internal Compliance

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### Sutton Middle School Final Report

May 20, 2020

Ms. Gail Johnson, Principal  
Sutton Middle School  
2875 Northside Drive  
Atlanta, Georgia 30305

Ms. Johnson,

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

#### Audit Objective

The objectives of the audit were to document the processes utilized by Sutton Middle 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 *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
- 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; and
- Unauthorized disbursement of funds.

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 General Administration, Cash Receipt Analysis, and Cash Disbursements Analysis. Sutton Middle School's response is included after each observation recommendation.

## **GENERAL ADMINISTRATION**

### **Observation #1**

- **4 of 14 (29%) Sponsors did not have a Sponsorship Agreement form on file.**
- **No evidence of formal Sponsor training performed at the school by School Administration.**
- **Bookkeeper and Clerk collected funds and receipted themselves in SABO posing a segregation of duties issue.**
- **1 of 5 (20%) fundraiser forms was approved by the Principal and Associate Superintendent after the date of the event.**

The Finance Policies and Procedures manual require all Sponsors to sign a Sponsorship Agreement prior to any school activity fund procedures are performed. These Sponsorship Agreements must be approved by the Principal prior to the collection any school activity funds and retained in school files. Funds are not allowed to be collected by non APS approved Sponsors. Also, all Sponsors are required to have training prior to any school activity fund procedures are performed. Lastly, Bookkeepers and Clerks should not collect funds and receipt themselves in SABO for segregation of duties purposes.

Per the Finance Policies and Procedures manual, the Request for Fund Raising Project Form must be completed and approved prior to the fund-raising activity taking place. The Fund-Raising Project Form provides detailed information regarding the planned fundraising venture, which will aid the Principal, Associate Superintendent, and the School Board, if necessary, in evaluating the proposed fundraiser. The application should be completed by the Sponsor of the organization (teacher, coach, etc.) before any definite plans are made concerning a planned project. The Sponsor should present the completed form to the School Principal for approval. Once approved by the Principal the Associate Superintendent's approval must be obtained.

### ***Risks:***

- Not obtaining Sponsorship Agreements and not making sure all Sponsors are trained provides the opportunity for unauthorized collection of funds and the probability of lost/stolen funds.
- Not having proper segregation of duties practices in place allows the opportunity for unauthorized collection of funds and the probability of lost/stolen funds.
- Not having proper approval prior to fundraising events taking place provides the opportunity for unauthorized events occurring and unauthorized collection of funds.

**Recommendation(s)**

- School leadership should consider implementing required training as it relates to Sponsor responsibilities to improve school activity collection procedures, implementing a better process to monitor the Principal's approval of Sponsors before they are allowed to collect funds, implementing a better process to monitor the collection of funds by the Bookkeeper and Clerk, and implementing a better process to approve fundraiser forms prior to the event taking place to minimize the likelihood of funds being mishandled.

**Implementation Plan:** The school will create and implement a training session for all teachers that will serve as sponsors. This training session will cover all APS guidelines for sponsorship and be provided during preplanning (August) and then as needed through the year. The training session will specifically include fundraising and that all sponsors for the same fundraiser need to complete the Sponsorship Agreement and training. The training will also address the segregation of duties issue and will assure that the Bookkeeper nor will Clerk collect funds and receipt themselves in SABO.

**Implementation Date:** August 2020

**Responsible Party for Implementation:** Gail Johnson, Principal; Amanda Fielder, School Business Manager; Jackie Middlebrooks, Bookkeeper

**CASH RECEIPT ANALYSIS**

**Observation #2**

- **1 of 14 (7%) receipts 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.

***Risk:***

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

**Recommendation(s)**

- School leadership should identify a second verifier.

**Implementation Plan:** A second verifier will be assigned for all bank deposits. This will be the School Clerk or School Business Manager.

**Implementation Date:** May 2020

**Responsible Party for Implementation:** Gail Johnson, Principal; Amanda Fielder, School Business Manager; Jackie Middlebrooks, Bookkeeper

## **CASH DISBURSEMENT ANALYSIS**

### **Observation #3**

- **4 of 13 (31%) checks had orders placed prior to receiving pre-approval from the Principal via the Disbursement Pre-Authorization Request form.**
- **1 of 13 (8%) checks (exceeding the budget limit of \$5,000) was approved by Principal and generated on 8/23/19 prior to obtaining approval from Accounting Services on 8/26/19.**

The Finance Policies and Procedures manual requires the Principal to authorize all purchases and all payments. Proposed SABO purchases must have written approval from the Principal prior to purchase using the required Disbursement Pre-Authorization Request Form and Disbursement Request Form. Pre-approval from Accounting Services must be obtained for checks over 5,000 for Middle Schools.

### ***Risk:***

- Not obtaining pre-approval from Accounting Services for checks exceeding the limit prior to the school generating the check may subject the school to unauthorized purchases and subject accounts to suspension.

### **Recommendation(s)**

- School leadership should consider implementing more training to Sponsors, Bookkeepers and Clerks to improve the usage and proper completion of the Pre-Authorization Disbursement Request form to minimize the likelihood of unauthorized purchases.
- School leadership should consider implementing a better process to obtain pre-approval from Accounting Services for checks exceeding the limit to prevent the likelihood of unauthorized purchases and school accounts suspension.

**Implementation Plan:** The Principal, School Business Manager and Bookkeeper will contact Eva Britt to request a training during the summer to assure that we have thoroughly addressed all items in this audit and are aware of the procedures for cash disbursements.

**Implementation Date:** Summer 2020

**Responsible Party for Implementation:** Gail Johnson, Principal

Ms. Johnson  
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May 20, 2020

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

Sincerely,

Tiffany Cherry, CFE  
Lead Internal Auditor

Connie Brown, CIA, CRMA  
Executive Director, Internal Compliance

Petrina Bloodworth, CIA, CFE, CRMA  
Senior Manager (Consultant)