Audit Findings
Fund Raisers, Cash Receipts, and Other Local School Activities
LSFM Program
November 20, 2019
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Audit Findings

FY 2018

• 137 LEAs
• 30 audit reports contained state and/or local findings
  • 15 Counties
  • 15 Cities

• State and Local findings
  • 56 findings
  • 23 related to local schools

FY 2017

• 137 LEAs
• 49 audit reports contained state and/or local findings
  • 29 Counties
  • 20 Cities

• State and Local findings
  • 85 findings
  • 48 related to local schools
Financial Procedures for Local School

- Available from Alabama Department of Education website – www.alsde.edu
- Locate Department Offices upper left
- Under Office of LEA Support select LEA Fiscal Accountability
- Select Local Schools (yellow tab)
- Select Procedures (tab)
- Select Local School Financial Procedures
Financial Procedures for Local School

• Section 1 PUBLIC AND NON-PUBLIC FUNDS
• Section 2 RECEIPTING FUNDS – Master Receipts; Teacher Receipts
• Section 3 BANKING – Bank Account; Deposits; Returned Checks
• Section 4 SCHOOL INCOME – Report of Ticket Sales; Fundraising; Commissions; Vending Machines; Concessions
• Section 5 PURCHASING – Purchase Orders; Invoices
• Section 6 EXPENDITURES – Expenditures; Academic Incentives
• Section 7 GUIDELINES FOR SCHOOL-RELATED ORGANIZATIONS – Student Organizations; Athletics; Parent Organizations; Booster Organizations; Specific Requirements
• Section 8 STUDENT PAYMENTS – Student Fees; Donations and Voluntary Contributions; Field Trips
• Section 9 LIVE WORK PROJECTS – Live Work Projects for Students; Service Charge for Live Work Projects; Work Orders; Proceeds From Live Work Projects

Fund Raisers
Fund Raiser Finding – 2017-01

• Finding – Income from fundraisers is required to be deposited in a timely manner with funds not being held until the fundraising project is complete. The following problems were noted:
  • At xxx Junior High, fundraiser money in the amount of $8,370.00 was collected from September 25 through September 28, however, it was not turned into the bookkeeper until the end of the day on September 28. Additionally, the bookkeeper failed to deposit the money in accordance with Board policy, resulting in $3,330.00 being stolen. A police report was filed for the incident.
  • Income from a fundraiser at xxx High was held until the end of the fundraiser before it was receipted and turned over to the bookkeeper. A total of $5,041.88 was recorded on the Fundraiser Accountability Form as being collected on various dates, ranging from March 25 through May 6; however, a total of only $4,824.00 was receipted by the teacher on May 9, and turned into the bookkeeper to be deposited.

• Recommendation – The Board should ensure that internal control policies adopted by the Board concerning receipting and depositing of funds are followed.

• Response - The Board agreed with the finding. Corrective action is being taken and the Board of Education plans to ensure that internal controls will be followed concerning receipting and depositing of funds.

Fund Raiser Finding – 2016-004

• Finding – The Board has adopted policies and procedures to ensure adequate internal controls for fundraising activities, including making an accounting of the total revenues and expenditures for each fundraising activity. At xxx High School, fundraiser forms for pizza sales were not properly prepared, therefore, we were unable to determine if the amounts collected and deposited were accurate.

• Recommendation – The Board should ensure that local schools follow the policies adopted by the Board concerning fundraiser activities.

• Response - The fundraising forms are provided to the bookkeepers each year. They are told that each fundraiser needs to be approved by the Principal prior to the event; that each fundraiser form should be filled out completely; and that it should show the revenues and expenditures incurred for that fundraiser. At the bottom, the net profit should be recorded. The Central Office staff will take steps to communicate in more detail the proper procedures to follow for reporting fundraisers.
Fund Raiser Finding – 2016-001

• **Finding** – An adequate system of internal controls should be in place to ensure that local schools are properly reconciling and accounting for all public funds collected. At xxx High School, the following issues were noted:
  • A Fundraiser Reconciliation Form should be utilized for all fundraisers to ensure accurate accounting and recording of proceeds and expenditures and to ensure that a profit is made on each fundraiser. No fundraiser forms were available for audit review.
  • **Recommendation** – The Board should implement procedures to ensure that local schools are properly utilizing fundraiser forms to properly account for public funds collected.
  • **Response** - For all Fundraisers, a Reconciliation form will be used to ensure that a profit is made. Central Office Personnel will be meeting with the principal and the bookkeeper during the first week of August to discuss the Fundraiser proceeds and expenditures.

Fund Raiser Procedures

• The Principal must approve each school fundraising activity conducted by students, teachers, school employees, or school-related organizations. The local school board may exempt school-related organizations from this requirement if the activity of the organization is not under the control of the Principal. However, elementary school students must not be involved in any door-to-door solicitations or sales. No fundraisers may sell foods of minimal nutritional value during the school day. A form requesting authorization for a fundraising activity must be approved by the Principal prior to the start of the fundraising activity and should contain the following information:
  • Date of the request
  • Name of the individual making the request
  • Activity account to receive proceeds from fundraiser.
  • Class, club, or organization that will conduct activity, if applicable
  • Name of fundraising project
  • Beginning and ending dates of fundraiser
  • Description of fundraising activity, such as name of company supplying items for sale; description of items for sale; estimated cost of items for sale; sales price of items; description and estimated cost of related fundraiser expenses; description of method of sales and collections; estimated profit from fundraiser
  • Purpose of fundraiser.
Fund Raiser Procedures

• Before approving a fundraising activity, a Principal should consider the safety of students involved in the activity. For example, the cheerleader sponsor should supervise events such as a “Car Wash for Cheerleader Camp”. The potential profitability for the efforts expended on a fundraising activity should also be considered.

• Approved fundraising activities must comply with financial procedures for school funds, including:
  • All funds collected must be delivered to the Principal’s office for a Master Receipt. Do not cash checks from collections.
  • Income from fundraisers must be deposited on a timely basis. Teachers and sponsors of fundraisers should be reminded not to hold fundraiser income until the fundraising project is complete.
  • All fundraising expenses, including sales awards to students, must be presented to the Principal for payment by check.
  • A school employee cannot receive a gift or gratuity from the fundraising vendor.

• Within a reasonable time after completion of the fundraising activity, a form should be submitted to the Principal that documents the result of activity.

Cash Receipts
Teacher Receipt Finding – 2016-001

• **Finding** – The State Department of Education Local Schools Financial Procedures and Board policy provide that a local board of education may give a Principal the authority to provide an alternative to writing a receipt to each student in a class when the amount being collected from each student does not exceed a certain amount (less than $2.00 per Board Policy). The alternative receipt form should identify the purpose of the collection, the date, student name, the amount, and the signature of the teacher or person collecting the funds. At the parent’s request a written receipt should be provided instead of entering the receipt on the alternative receipt form. Receipts tested at xxx County Primary School revealed that **teachers were collecting money on behalf of students and not giving the students receipts** nor were they using the alternative receipt form. The monies collected were more than the $2.00 allowed by Board Policy.

• **Recommendation** – The Board should ensure that all monies collected at local schools are receipted in accordance with Board Policy and State Department of Education guidelines.

• **Response** – **All school staff members will be trained/re-trained** on all the Local School Financial Procedures, to include the proper collection and receipting of money. As identified in the Preface of the Local School Financial Procedures manual, it will be communicated to each principal that the position that he or she holds carries with it the full responsibility for all financial matters relating to the school; and that it is imperative that the Principal gives his or her personal attention to the collection, expending, documenting, recording, and overall supervision of everything relating to the financial affairs of the school. We will also engage each secretary/bookkeeper and teacher in professional learning that adheres to Section 2, page 1 of 3, of the manual, the processes involved with the proper receipting of funds.

Teacher Receipt Finding – 2017-001

• **Finding** – The Alabama Department of Education’s Financial Procedures for Local Schools requires certain receipting procedures to be followed by all local school personnel. All funds collected should be receipted and deposited daily by office personnel. Funds collected at xxx Intermediate School were **not always receipted**. Also, **numerous posting errors** occurred within the school’s accounts; therefore, it could not be determined if all funds received were deposited into the school’s account.

• **Recommendation** – Proper receipting and deposit procedures should be followed at all local schools.

• **Response** – The CSFO notified the Superintendent of the audit finding. In consultation with the Board Attorney, they were advised to relieve the Intermediate School bookkeeper of all bookkeeping duties until further investigation. After meeting with the bookkeeper and her Principal, the decision was made to ask the bookkeeper to resign due to her inability to follow local school receipting procedures, which has occurred over the past few years.

• In August 2018, all bookkeepers were required to attend a **workshop training** that extensively covered receipting procedure. The xxx County Board is also implementing a **new receipting system** that will offer the board more accurate records and more accountability in receipting school funds.
Teacher Receipt Finding – 2017-001

• **Finding** – The Board has established policies and procedures to ensure adequate internal control procedures are followed for receiving and depositing all funds collected. The Board’s Accounting Policies and Procedures require that all funds be receipted in a pre-numbered receipt book and money on hand in excess of $100.00 should be deposited at the end of each day. The following problems were noted with internal controls over receipting:
  • Numerous instances were noted in which money on hand in excess of $100.00 was not deposited at the end of each day at various local schools tested.
  • Pre-numbered receipts were not written for funds received and deposits were not always made timely at the Schools.
• **Recommendation** – The Board should ensure that internal control policies adopted by the Board concerning receipting and depositing of funds are followed.
• **Response** – Corrective action is being taken and the Board of Education plans to ensure that internal controls will be followed concerning receipting and depositing of funds.

Teacher Receipt Finding – 2017-001

• **Finding** – The Board of Education has established policies and procedures for local schools for the receipting of money collected. These policies and procedures require all teachers at the local schools to receipt money, remit money to the bookkeeper in a timely manner. The following discrepancies were noted at the High School:
  • Money collected from students by teachers, as well as money collected for admission at school events, was not always remitted to the bookkeeper in a timely manner.
• **Recommendation** – The Board of Education should ensure money collected is remitted to the bookkeeper in a timely manner and deposits are made timely.
• **Response** – The issue has been addressed with the school Principal. All teachers are trained annually but we will have refresher course on policy Tuesday, August 21st.
Teacher Receipt Finding – 2018-001

• **Finding** – The Board has established policies and procedures for local schools to adhere to for the receipting and depositing of local school funds. These policies and procedures require all teachers at the local schools to receive money from the students and to remit the money to the bookkeeper in a timely manner. At the High School, several teachers did **not remit all money received to the local school bookkeeper daily or in a timely manner.** Procedures were not in place to ensure that money received by teachers was remitted to the office timely. As a result, there is a risk that the loss of money collected by teachers could occur and not be detected in a timely manner.

• **Recommendation** – The Board should ensure that schools comply with the established policies and procedures as they relate to receipting and depositing money.

• **Response** – Schools will comply with established policies and procedures.

Teacher Receipt Finding – 2017-001

• **Finding** – The Board has established local school policies and procedures for the receipting and depositing money received. These policies and procedures require all teachers at the local schools to issue receipts for money received and to remit the money to the bookkeeper in a timely manner. At xxx County High School, **some teachers did not submit all money received to the local school bookkeeper in a timely manner.**

• **Recommendation** – The Board should ensure that schools comply with the established policies and procedures as they relate to receipting and depositing money.

• **Response** – To ensure future compliance, the CSFO and the Local School Accounting Bookkeeper will attend the **first faculty meeting of the scholastic year, for each school within the district, to go over the receipting and depositing procedures** as prescribed in the Financial Procedures for Local Schools Manual, produced by the Alabama State Department of Education. Furthermore, principals will go back over the information periodically with their staff to ensure that they stay abreast of accounting procedures.
Teacher Receipt Finding – 2015-004

• **Finding** – The Board has established policies and procedures for local schools to ensure adequate procedures for financial activities are followed including the timely deposit of money collected. **Teacher receipts were not always submitted to the school’s bookkeeper for deposit in a timely manner.**

• **Recommendation** – The Board should ensure local schools comply with approved policies and procedures for financial activities.

• **Response** – During the audit period the Board of Education hired a new CSFO. There had not been a local school accountant in place to work with our local schools for five years. We transferred an employee to begin working with the local schools in May. We have since that time written a new policy and procedure manual for the local schools. We have also created several new forms that have been posted on the system website for each local school bookkeeper to download and use in their daily activities, so each school is now consistent in the daily task. We now have monthly bookkeeper meetings to go over policies and procedures. We also have monthly Principal meetings where they have been instructed to cover with their staff the importance of turning in all funds received to the bookkeeper in a timely manner. Most of our school bookkeepers are not twelve-month employees so the amount of work that can be done in the Summer break is very limited this resulted in two late payments during the audit period. We have discussed the possibility of making more of them twelve-month employees however this would cause a large increase in payroll cost for the system. With all the new processes and forms we now have in place along with the monthly meetings I believe we should see a reduction in the number of deficiencies as we continue to work with all our local schools.

Teacher Receipt Finding – 2017-001

• **Finding** – The County Board's Local School Accounting Department requires certain receipting procedures to be followed by all local school personnel. All funds collected and receipted by teachers should be turned into the school's office daily and the funds should be deposited daily by office personnel. **Teachers did not always turn in funds collected from students to the office in a timely manner at the Elementary and the High School and office personnel did not make daily deposits at the Elementary School.**

• **Recommendation** – Proper receipting and deposit procedures should be followed at all local schools.

• **Response** – The "Local School Accounting Procedures" requires Teachers/Sponsors to turn all collected funds in daily. If funds are turned in late a **"Late Teacher Receipt Form "** is to be utilized. The "Local School Accounting Procedures" allows teachers to use a multiple receipt listing form to document funds received by multiple students on a single teacher receipt when the amount received from each student is less than $25.00. The "Local School Accounting Procedures" requires a daily bank deposit to be made if receipts are $25.00 or more. Continued training and emphasis on procedures will be provided to local school personnel.
Teacher Receipt Finding – 2009-001

• **Finding** – The Board has established policies and procedures for local schools pertaining to the receipting and depositing of money collected. These policies and procedures require all teachers at the local schools to receipt money received from the students and to remit the money to the bookkeeper in a timely manner. Teachers at four Schools did not remit money collected to the bookkeeper in a timely manner.

• **Recommendation** – The Board should ensure that all money collected is remitted to the bookkeeper in a timely manner.

• **Response** – Board procedures require all funds to be receipted and deposited intact daily. Teacher receipts must be submitted to the school office daily. The Finance Department has already begun providing training and having workshops with bookkeepers and principals to ensure that proper procedures are communicated to staff. We are also requiring all school bookkeepers to obtain the local school financial management certification through the Alabama Association of School Business Officials (AASBO). Additionally, the Local School Accounting Division of Finance will be visiting various schools and reviewing their process of collecting and recording receipt.

Teacher Receipt Finding – 2002-014

• **Finding** – An adequate system of internal control requires the proper receipting of all funds collected. The following matters were noted relating to receipting at local schools:
  • At the High School, it did not appear that teacher receipts were turned into the bookkeeper in a timely manner. In one instance, receipts were held for two months before being deposited.
  • At the High School, receipts lacked adequate documentation to determine from whom the money was received, its purpose, and if it had been receipted and deposited in a timely manner.

• **Recommendation** – Procedures should be implemented to ensure that all receipts are properly accounted for.

• **Response** – The Boards has written procedures for local school bookkeeping processes in place to prevent these occurrences. Continued training of bookkeepers and principals has been held in FY 2018 and will continue to be held in FY 2019. Closer monitoring of the local school records will be provided by the local school accountants in the Comptroller’s department. Additional staffing of Instructional Superintendents and Operational Specialists in late FY 2018 will also add an added oversight and support to Finance to ensure that procedures are followed at the school level.

• In FY 2019, the Board will also roll out new technology that will allow teachers to do web-based receipting directly in their classroom as students turn in money. The bookkeeper will be notified of all funds being collected and can then ensure that all receipts are turned in by the end of the day so deposits can be made timely. This should prevent teachers from holding money in a classroom at the end of a day.
Teacher Receipt Finding – 2017-001

• **Finding** – The Financial Procedures for Local Schools provided by the Alabama Department of Education establishes policies and procedures for local schools to ensure adequate procedures for financial activities are followed including the retention of all documentation relating to the receipt and timely deposit of money. Procedures were not in place at the High School to ensure teacher receipt books and receipt logs were retained for review. Additionally, procedures were not in place to ensure money collected by teachers was turned into the office in a timely manner. During the audit period, *teacher receipt documentation was not retained for review. Also, money collected by teachers was not always turned into the office for deposit in a timely manner.* As a result of teacher receipt documentation not being retained and money collected not being turned over to the office in a timely manner, *it could not be determined that all money was collected, receipted and deposited in a timely manner.*

• **Recommendation** – Local schools should implement procedures provided in the Financial Procedures for Local Schools to ensure all teacher receipt documentation is retained for review and all money collected by teachers is turned into the office for deposit in a timely manner.

• **Response** – Notification, *corrective action and training* placed into action and corrected by September 30, 2018.

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Teacher Receipt Finding – 2017-001

• **Finding** – The Board’s Local School Finance Manual requires that local schools follow certain procedures to account for funds held at the schools. The following matters were noted at the High School related to local school accounting:
  • Amounts collected for deposits were *not deposited in a sequential and timely manner.*
  • The school *utilized teacher receipt books, but it did not appear that all were made available for review during the audit.*

• **Recommendation** – The Board should ensure that schools adhere to the Local School Finance Manual

• **Response** – The Board agreed with the audit finding and recommendation. The Board’s Local School Finance Manual is published on the Board’s website and abundant training has been provided regarding the Board’s local school financial procedures. In order to alleviate the issues noted above the Board has requested and received the *resignation* of the office coordinator.
Teacher Receipt Finding – 2018-002

• **Finding** – The Board established policies and procedures for local schools to ensure adequate internal control procedures for teacher receipts. These policies and procedures require:
  1. that no money be left in the classroom overnight;
  2. that all money collected be taken to the school office on a daily basis; and
  3. specific information be included on the teacher receipts, including the payee’s name, amount received, date received, purpose or activity, whether funds were cash or check, and the original signature of the individual receiving the funds. Additionally, each school has the option to waive writing a receipt to each individual student in a class if the amount collected from each person does not exceed ten dollars. In this case, a “Receipt Log of Less than $10” is to be completed and submitted to the school office and retained for audit purposes.

Teacher Receipt Finding – 2018-002

• **Finding (cont)** – The following instances of non-compliance were noted regarding the procedures for teacher receipts:
  • Cash and check amounts were not always indicated on the teacher receipts.
  • Teachers collecting less than $10.00 per student at the Middle School did not prepare and submit a receipt log to the bookkeeper nor did they individually receipt the money.
  • Money collected by teachers was not always submitted to the bookkeeper daily.

• The Board did not adequately monitor its policies and procedures to ensure compliance with various teacher receipting requirements. As a result of not adequately monitoring its policies and procedures, the Board failed to ensure money collected by teachers was properly recorded and reported.

• **Recommendation** – The Board should ensure policies and procedures as adopted by the Board regarding teacher receipts are properly followed.

• **Response** – The Board has made the schools aware of these problems. We are in the process of monitoring the procedures to ensure compliance with the Board’s policies and procedures.
### Master Receipt Finding – 2017-001

- **Finding** – The Board has established policies and procedures for local schools to ensure adequate internal control procedures are followed for receipting and depositing all funds collected. The following problems were noted with receipting and depositing procedures at the High School:
  - A school master receipt must be issued in the office for all funds received in the school. **A master receipt was not always issued for funds received by the bookkeeper.**
  - Receipts written in the master receipt book must be recorded in the school ledger (computerized accounting system). **The bookkeeper did not always record receipts into the computerized accounting system.**
- **Recommendation** – The Board should ensure that local schools follow the policies adopted by the Board concerning receipting and depositing of funds.
- **Response** – This bookkeeper had been with our school system more than 16 years. She had been through AASBO Local School Bookkeeper training and numerous trainings at the Central Office. She was reprimanded by the Superintendent; correct procedures were explained to her; she was suspended for three days without pay; and she subsequently resigned. An experienced bookkeeper has been employed and these procedures have been stressed to her. The Internal Auditor will carefully review and monitor her recording of master receipts, the timeliness of the deposits and a sample of the journal entry forms. Steps in procedures have been changed at the school. The Principal now takes the deposit to the bank each day.

### Deposits Finding – 2015-001

- **Finding** – Procedures for depositing money prescribed by the Board of Education in its Local School Accounting Manual require that funds are to be deposited daily by the school's secretary/bookkeeper. A review of local school receipting/depositing procedures at the Primary School revealed that the secretary/bookkeeper was not making deposits timely and intact.
- **Recommendation** – The Board should ensure all deposits are being made daily and intact.
- **Response** – All school staff members will be trained/re-trained on all the Local School Financial Procedures, to include the proper depositing of money. It will be delivered to, trained about, and expected of every principal, secretary/bookkeeper, and each teacher that they adhere to Section 3, page 2 of 3, within the manual, the processes involved with the timely depositing of funds. In this expectation, school staff members will know and adhere to the recommended procedures outlined on this same page.
Deposits Finding – 2017-001

- **Finding** – The Board of Education has established policies and procedures for local schools for the receipting and depositing of money collected. These policies and procedures require all money be deposited into the official bank account in a timely manner. The following discrepancies were noted at the High School:
  - Money collected by the bookkeeper was not always deposited in a timely manner.
  - **Recommendation** – The Board of Education should ensure money collected is remitted to the bookkeeper in a timely manner and deposits are made timely.
  - **Response** – The issue has been addressed with the school Principal. All teachers are trained annually but we will have refresher course on policy Tuesday, August 21st.

Deposits Finding – 2017-002

- **Finding** – The State of Alabama Department of Education Financial Procedures for Local Schools provides guidelines for receipting and depositing funds. Those guidelines require funds received by staff members be receipted and turned into the office in a timely manner. Also, when funds are received by the office, funds should be master receipted and deposited intact and in a timely manner. The High School did not follow established internal control procedures over the depositing process. In testing receipts at the High School the following issues were noted relating to the receipt and deposit of funds:
  - Several instances were noted where master receipts indicated that funds were received but not deposited in a timely manner.
  - If funds are not submitted to the office in a timely manner and subsequently deposited in a timely manner, it could result in funds not being properly safeguarded which could lead to theft or loss of funds.
  - **Recommendation** – All local schools should comply with the State of Alabama Department of Education guidelines when receipting and depositing funds.
  - **Response** – The following corrective action is planned in response to this finding: The guidelines for receipting and depositing funds in a timely manner was reviewed at the August 28, 2018 County Administrative Team Meeting. Principals will cover the guidelines with staff at the next available Faculty Meeting at the school.
Deposits Finding – 2018-001

• Finding – Local school policies require supporting documentation and receipts for all deposits made by the school. In a test of 40 local school deposits, we noted 1 instance in which the supporting documentation and deposits did not match the daily deposit.

• Recommendation – We recommend all departments and schools follow the Board policy of documentation and approval for those employees responsible for initiating and approving cash receipts. Controls within the receipting process reduce the likelihood of fraud and abuse.

• Response – All departments and schools will be reminded of the Board policy for initiating and recording daily receipts and documentation retention.

Deposits Finding – 2002-014

• Finding – An adequate system of internal control requires the proper depositing of all funds collected. The following matters were noted at local schools:
  • At the High School, one deposit made in August 2017 was $100.00 less than the amounts receipted. No explanation was given for the shortage.
  • At the High School, a receipt was recorded in July but not deposited until August and was also not properly recorded.
  • At the K-8, the bookkeeper did not retain adequate documentation to determine if deposits had been made timely and intact.

• Recommendation – Procedures should be implemented to ensure that all receipts are properly accounted for.

• Response – The Boards has written procedures for local school bookkeeping processes in place to prevent these occurrences. Continued training of bookkeepers and principals has been held in FY 2018 and will continue to be held in FY 2019. Closer monitoring of the local school records will be provided by the local school accountants in the Comptroller’s department. Additional staffing of Instructional Superintendents and Operational Specialists in late FY 2018 will also add an added oversight and support to Finance to ensure that procedures are followed at the school level.
Deposits Finding – 2017-001

- **Finding** – The Board’s Local School Finance Manual requires that local schools follow certain procedures to account for funds held at the schools. The following matters were noted at the High School related to local school accounting:
  - Receipts were not deposited intact.
- **Recommendation** – The Board should ensure that schools adhere to the Local School Finance Manual
- **Response** – The Board agreed with the audit finding and recommendation. The Board’s Local School Finance Manual is published on the Board’s website and abundant training has been provided regarding the Board’s local school financial procedures. In order to alleviate the issues noted above the Board has requested and received the resignation of the office coordinator.

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Deposits Finding – 2017-001

- **Finding** – The Board has established policies and procedures for local schools to ensure adequate internal control procedures are followed for receipting and depositing all funds collected. The followings problems were noted with receipting and depositing procedures at the High School:
  - All funds must be deposited on the day received, if possible. The bookkeeper did not always include funds received in that day’s deposit.
  - When a journal entry is required to correct a receipt, the Board requires a form to be filled out explaining why a journal entry was necessary. This form must be signed and dated by the bookkeeper and the principal. The bookkeeper made journal entries in the accounting system to correct receipting errors without getting the approval of the principal.
  - In order to ensure the proper segregation of duties, at least two (2) Board employees must be involved in all cash collection and cash receipting functions. At least two (2) Board employees were not always involved these functions.
- **Recommendation** – The Board should ensure that local schools follow the policies adopted by the Board concerning receipting and depositing of funds.
- **Response** – This bookkeeper had been with our school system more than 16 years. She had been through AASBO Local School Bookkeeper training and numerous trainings at the Central Office. She was reprimanded by the Superintendent; correct procedures were explained to her; she was suspended for three days without pay; and she subsequently resigned. An experienced bookkeeper has been employed and these procedures have been stressed to her. The Internal Auditor will carefully review and monitor her recording of master receipts, the timeliness of the deposits and a sample of the journal entry forms. Steps in procedures have been changed at the school. The Principal now takes the deposit to the bank each day.
Bank Finding – 2017-001

• **Finding** – The Code of Alabama 1975, Section 11-1-7 (b), requires the Board to approve all new bank accounts and for these accounts to be with a qualified public depository under the Code of Alabama 1975, Section 41-14A. The Board is also required to include this information, by resolution, in the minutes. **New bank accounts were opened for several schools without Board approval. Additionally, a bank account was opened for a Team at the Career Tech Center that was not included in the Board's general ledger and was not approved by the Board. This account was not included in the SAFE program** as provided in the Code of Alabama 1975, Section 41-14A.

• **Recommendation** – Efforts should be made to ensure all accounts are properly authorized by the Board and included in the SAFE program.

• **Response** – All bank accounts will be properly authorized by the Board and included in the SAFE program. The new CSFO has been trained to advise and monitor compliance in this matter. **SAFE letters will be gathered at fiscal yearend** to compare to Board-approved depositories and verify compliance in this matter.

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Bank Finding – 2017-001

• **Finding** – An adequate system of internal controls requires bank accounts to be reconciled timely. **The bank reconciliations for the central office’s bank accounts for the fiscal year ending September 30, 2017, were not prepared until February 2018.**

• **Recommendation** – The Board should implement adequate internal control procedures to ensure all bank accounts are reconciled timely.

• **Response** – Corrective Action: The Finance Department has assigned the appropriate staff to reconcile bank statements and as a result of said re-organization, all bank statements are current. **The CSFO or designee will be required to check and signoff on each monthly bank reconciliation.**
Cash Procedures Finding – 2017-003

• **Finding** – The Board has established policies that require local schools to follow certain procedures to account for funds held at the schools. The following matters were noted at the Middle School:
  • The school utilized teacher receipt books during the audit period, but it did not appear that all receipt books were made available for review.
  • Money collected was not deposited timely or intact.
  • Proper accounting entries were not made for receipts and disbursements.
  • Bank statements appeared to be altered by the bookkeeper.
  • The bookkeeper did not appear to receipt money collected for after school snacks sales.
  • The bookkeeper appeared to purchase items of personal nature from Walmart and Sam’s Club.

Cash Procedures Finding – 2017-003

• **Recommendation** – The Board should ensure that schools adhere to the prescribed policies and procedures for local school accounting.
• **Response** – The bookkeeper mentioned in this audit finding is no longer employed by the Board. Additionally, our Local School Accounting Division of Finance Department discovered these irregularities and reported to the Examiners. Moreover, our procedures require all funds to be receipted and deposited intact daily. Teacher receipts must be submitted to the school office in a timely basis. Receipt books shall be kept in a safe and accessible place and be immediately available to Finance Department and Examiners upon request. The Finance Department has already begun providing training and having workshops with bookkeepers and principals to ensure that proper procedures are communicated to staff. We are also requiring all school bookkeepers to obtain the local school financial management certification through the Alabama Association of School Business Officials (AASBO). Additionally, the Local School Accounting Division of Finance will be visiting various schools and reviewing their process of collecting and recording receipt.
Board A – 2017-001

• **Finding** – The Board has established policies and procedures for local schools to ensure adequate internal control procedures are followed for receipting and depositing all funds collected. The followings problems were noted with receipting and depositing procedures at the High School:
  • A school master receipt must be issued in the office for all funds received in the school. A **master receipt was not always issued for funds received by the bookkeeper.**
  • Receipts written in the master receipt book must be recorded in the school ledger (computerized accounting system). The bookkeeper **did not always record receipts into the computerized accounting system.**
  • All funds must be deposited on the day received, if possible. The bookkeeper **did not always include funds received in that day’s deposit.**
  • When a journal entry is required to correct a receipt, the Board requires a form to be filled out explaining why a journal entry was necessary. This form must be signed and dated by the bookkeeper and the principal. The bookkeeper **made journal entries in the accounting system to correct receipting errors without getting the approval of the principal.**
  • In order to ensure the proper segregation of duties, at least two (2) Board employees must be involved in all cash collection and cash receipting functions. At least **two (2) Board employees were not always involved these functions.**

Board A – 2017-001

• **Recommendation** – The Board should ensure that local schools follow the policies adopted by the Board concerning receipting and depositing of funds.

• **Response** – This bookkeeper had been with our school system more than 16 years. She had been through AASBO Local School Bookkeeper training and numerous trainings at the Central Office. She was reprimanded by the Superintendent; correct procedures were explained to her; she was suspended for three days without pay; and she subsequently **resigned** effective November 30, 2017. An experienced bookkeeper has been employed and these procedures have been stressed to her. The **Internal Auditor** will carefully **review and monitor** her recording of master receipts, the timeliness of the deposits and a sample of the journal entry forms. Steps in procedures have been changed at the school. The **Principal now takes the deposit to the bank each day.**
Board B – 2017-001

• **Finding** – The Board’s Local School Finance Manual requires that local schools follow certain procedures to account for funds held at the schools. The following matters were noted at the High School related to local school accounting:
  • Amounts collected for deposits were not deposited in a sequential and timely manner.
  • The school utilized teacher receipt books, but it did not appear that all were made available for review during the audit.
  • Receipts were not deposited intact.
  • Handwritten checks were not properly entered into the accounting system.
  • Proper accounting entries were not made for receipts and disbursements for a public fundraiser.
  • The school did not follow prescribed procedures relating to gate receipts and change cash.

Board B – 2017-001

• **Recommendation** – The Board should ensure that schools adhere to the Local School Finance Manual.

• **Response** – The Board agreed with the audit finding and recommendation. The Board’s Local School Finance Manual is published on the Board's website and abundant training has been provided regarding the Board’s local school financial procedures. In order to alleviate the issues noted above the Board has requested and received the **resignation** of the bookkeeper.
QUESTIONS

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