

Audit Findings

Alabama Association of School Office Personnel

Annual Workshop

June 17, 2019

Constitution

- Cullman County – Section 22 of the Constitution of Alabama, 1901 prohibits granting exclusive franchises. Additionally, the Alabama Supreme Court has held that any contract which grants exclusive special privileges must be made by competitive bid to avoid violation of Section 22 of the Constitution of Alabama, 1901. During this audit period, Fairview High School entered into a contract with a soft drink vendor granting exclusive advertising and pouring rights at all school facilities. The local school entered into the contract without approval by the Commission on Education and the contract was not made by competitive bid.

Constitution

- Jackson – Section 94 of the Constitution of Alabama 1901, as amended by Amendment 558, prohibits the Board from giving public money to a private person, corporation or association. The Financial Procedures for Local Schools, as provided by the Alabama Department of Education, defines gate receipts from athletic events as public funds and that the receipts are subject to the control of the school principal. Additionally, all of a school's money is required to be receipted and deposited in the school's bank account. At North Jackson High School, none of the gate receipts for baseball games were deposited into the school's bank account. This was discussed with the School Principal who stated that baseball game gate receipts were retained by the baseball booster organization, of which the financial activity is not reflected on the school's books.

Constitution

- Birmingham – Section 94, Constitution of Alabama 1901, states the Board cannot lend its credit, or grant public money or a thing of value to any individual, association, or corporation. Several of the schools are using public funds to finance operations of their non-public activities. The following schools had deficit cash balances in their non-public activities at September 30,2015:
 - Bush Hills Academy \$ (641.70)
 - Bush K-8 \$(2,327.46)
 - Central Park Elementary \$ (1,311.46)
 - Huffman High School \$ (33,546.04)
 - Smith Middle \$ (4,303.29)

Internal Revenue Service

- Jackson Co. - Internal Revenue Service regulations require the Board to issue a Form 1099 to every person not employed by the Board who provides services in an amount of \$600.00 or more. At the local schools, a Form 1099 was not always issued to individuals who provided services that exceeded \$600.00
 - Response - The Jackson County Board of Education will require that all vendors used by the local schools be evaluated for possible inclusion on our list of companies that are issued 1099 forms.

Vendor Payment Instructions

- Opelika City - In response to several urgent email requests from someone posing as the vendor, authorized payment instructions were disregarded and a check payment was manually addressed and mailed to an address not belonging to the vendor.
- Response - The Board will authorize the following procedures to ensure appropriate authorization is obtained prior to making any changes to vendor payment instructions:
 1. Confirm the change in writing from an authorized signor representing the vendor (i.e., on company letterhead, W-9, etc.),
 2. Confirm the change via phone call with a known vendor contact,
 3. Make appropriate inquiries and notify supervisors of requested vendor payment changes.

Tickets

- Henry – Financial Procedures for Local Schools adopted by the Board requires tickets be sold at all events where admission is charged and a report of ticket sales form be provided which shows the beginning and ending ticket numbers of the tickets issued and the tickets not sold. During the review of local schools, an instance was noted of tickets not being sold at an event. Therefore, determination could not be made as to the accuracy of the gate collections. Additionally, other reports of ticket sales reviewed only included the ticket numbers sold. As a result, unused tickets could not be accounted for.

Tickets

- Mobile – ...Local School Accounting Department requires ticket sales reports for athletic events to be properly completed and reconciled to the deposits being made for ticket sales. Also, school personnel working at athletic events should be paid through the Board's payroll system at an hourly rate based on the approved salary schedule. School personnel working at basketball events were paid cash from the monies collected at each event at LeFlore High School which resulted in the ticket sales reports not being filled out correctly not being reconciled to the deposits for ticket sales.

Tickets

- Etowah Co. - The Board has adopted policies and procedures to ensure adequate internal controls for athletic ticket sales, including using a Report of Sales of Tickets. This report must be signed by the person or persons in charge of ticket sales. Gate receipts must be counted by two or more persons. A verification form must be signed by the individuals who actually count the gate receipts. In addition, if students are charged a different amount, they are to be issued separate tickets in a different color from the tickets issued for the general public. At Glencoe High School, testing revealed that forms were not totally and accurately completed and in some instances were not signed by the persons responsible for the ticket sales. In addition, students were admitted at a lesser price than the general public and separate tickets were not used. We were unable to determine if amounts collected and deposited were accurate.

Concession Sales

- Birmingham – The Financial Procedures for Local Schools developed by the State of Alabama Department of Education provides guidelines for the proper accounting of concessions and school stores. Procedures recommended including collecting funds on a timely basis, issuing a master receipt at the time the funds are actually received and accompanying the funds collected with supporting documentation of items sold. The following matters were noted at EPIC Elementary School related to school snack sales:
 - There are only 3 master receipts noted during the audit period that indicated the funds being collected were for snack sales.
 - There were purchases totaling \$4,305.31 coded to an activity with “school snacks” noted on the purchase order, however there were only \$477 in receipts coded to the same activity with “snacks” noted on the master receipt.
 - The school does not maintain an inventory of snack items sold.

Concession Sales

- Cullman Co – The Board has established policies and procedures for local schools to ensure adequate procedures for financial activities are followed. The following deficiencies were noted:
 - g. Adequate records were not maintained for concession sales to determine profitability or timeliness of deposits.
- Jackson Co. - Concession activities at several local schools were operated by the school's booster clubs on school property, however, the financial activities are maintained outside of the school's financial records. Therefore, these financial activities are not under the control of the school principal.

School Store Sales

- Cherokee Co – For school store operations, an inventory of items purchased, items sold by sales price, and items unsold should be reconciled to the cash collected. A review of these procedures at three schools revealed that an adequate inventory and/or reconciliations is not being performed to document that the amount of cash collected and deposited is correct. Each school routinely had overages and shortages that were significant in relation to the amounts being collected that could not be explained.

Receipting

- Colbert – The Colbert County Board of Education’s Local School Finance Manual requires teachers to issue receipts to students for funds collected and remit the funds to the local school bookkeeper daily. At the local schools tested, teachers did not always submit their receipts to the local school bookkeeper daily or in a timely manner.
- Cullman Co – The Board has established policies and procedures for local schools to ensure adequate procedures for financial activities are followed. The following deficiencies were noted:
 - a. Teacher receipts were not always submitted to the school’s bookkeeper for deposit in a timely manner.

Receipting

- Etowah Co – The Etowah County Board of Education has established policies and procedures for local schools to ensure adequate procedures are followed for receipting and depositing all funds collected. According to the Board’s Local School Policy Manual, “All money collected at the school by any employee or group for any purpose must be receipted and deposited into the school bank account on a daily basis.” Based upon testing performed, this was not always done at Sardis High School. Out of a sample of 36 bookkeeper receipts from teachers, a total of 25 were comprised of teacher receipts that were not sent in daily. In one instance, the teacher did not remit money collected to the bookkeeper until 20 days later.

Receipting

- Henry Co – Financial Procedures for Local Schools adopted by the Board provides adequate procedures for local schools to be followed for receipting and depositing all funds collected. Based on audit procedures performed, the following problems were noted at Abbeville High School:
 - a. Monies collected by teachers were not always submitted to the school bookkeeper in a timely manner.
 - b. Monies collected by the school bookkeeper posted to an office receipt book were not posted to the master receipt book for deposit in a timely manner.
 - c. Amounts posted to the office receipt book did not always agree with amounts posted to the master receipt book.
 - d. Control sheets used for receipting funds did not include a receipt number issued to students or others making payments.
- Henry Co – Financial Procedures for Local Schools adopted by the Board requires all voided receipts to be retained. During the review of local schools, instances were noted of funds which were returned to students, however the voided receipts were not retained. Additional information had to be obtained to verify the refund to the students.

Receipting

- Jackson (Athletics & School) – The Board has established policies and procedures for local schools to ensure adequate procedures are followed for receipting and depositing all funds collected. Based on audit procedures performed, the following problems were noted at the local schools:
 - a. The composition of monies collected (cash, check, money order, etc.) was not always noted on the receipts issued by the school.
 - b. Monies collected and remitted by teachers to the school's bookkeeper were not always reconciled to the teacher receipts.
 - c. Monies collected by teachers were not always remitted to the school's bookkeeper for deposit in a timely manner.

Receipting

- Marengo – The Marengo County Board of Education’s Local School Accounting Regulations require all employees to submit used receipts books to the principal’s office for storage at the close of the school year. Receipt testing at Marengo High School disclosed that two receipt books were not turned into the principal’s office at the end of the school year and were not made available for review.
- Marengo – A good internal control system requires proper receipting procedures at local schools. While testing receipts at A. L. Johnson High School, the following issues were noted:
 - a. Teacher’s receipts were not issued in numerical sequence.
 - b. Some amounts appear to have been receipted to individuals twice. These amounts were receipted to students in the master receipt book and also receipted to students in a teacher’s receipt book.

Receipting

- Mobile – The Mobile County Board of School Commissioners 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 on a daily basis and the funds should be deposited daily. A multiple receipt listing form should be used when teachers collect less than \$25 from each student and a teacher receipt written for the total amount. Teachers did not always turn in funds collected from students to the office in a timely manner at ER Dickson Elementary and Davidson High School nor did they use the multiple receipt listing form when collections were less than \$25 per student at Grand Bay Middle School. Also, monies collected for basketball events at Davidson High School were not deposited in a timely manner.

Receipting

- Birmingham – An adequate system of internal controls requires the proper receipting and depositing of all funds collected. The following matters were noted related to receipting at local schools:
 - a. At EPIC Elementary, teacher receipts were requested to trace the corresponding master receipt and bank deposit. Items master receipted during the month of May 2015 were selected for review. Out of 53 items master receipted, only 3 could be traced to a teacher receipt book.
 - At Parker High, teacher receipts were not turned in to the bookkeeper in a timely manner, bank deposits did not equal master receipt totals, and not all teacher receipt books were retained for subsequent review. In addition, during review a teacher receipt book was found in the school safe along with cash that had not been deposited. The receipts were dated August 30th through September 1st, 2015. The funds were deposited in the school's account when they were discovered on May 31, 2016.

Revenues

- Talladega City – Internal controls should be in place to ensure that revenues are properly recorded on the financial statements for Houston Elementary in accordance with GAAP. Certain expenditures were being netted against certain revenues. During our testing of revenue, certain audit adjustments were required to correct current year amounts. The nature of the adjustments were to record revenues in the amount of \$2,389 which increased expenditures by \$2,389.

Deposits

- Barbour Co. – Procedures for depositing money prescribed by the Barbour County 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 Barbour County Primary School revealed that the secretary/bookkeeper was not making deposits timely and intact.

Bank Reconciliations

- Cullman County - An adequate system of internal controls requires bank accounts to be reconciled monthly. All bank accounts were not properly reconciled to the general ledger during this audit period. Adjustments were made to the cash balance in the general ledger to correct reconciling errors.

Purchase Orders

- Bullock – Local School Financial Procedures adopted by the Board requires a purchase order be issued before the purchase of all materials, supplies or equipment. Additionally, policies require payment be made from original invoices once goods or services are received. The principal at South Highlands Middle School made several purchases without obtaining a purchase order and was subsequently reimbursed for the expenditures.
- Cullman Co – The Board has established policies and procedures for local schools to ensure adequate procedures for financial activities are followed. The following deficiencies were noted:
 - c. Adequate procedures were not utilized regarding purchase orders.

Purchase Orders

- Lee – Procedures for the expenditure of funds prescribed by the Lee County Board of Education in its Local School Accounting Manual require that a purchase order be issued for all goods and services and all purchase orders must be signed by the Principal prior to purchases being made. At Sanford Middle School, purchase orders were not being properly issued and documentation was not being kept to support purchases made.

Purchase Orders

- Enterprise – In a test of 60 local school disbursements we noted 2 instances in which documentation could not be located, 14 where the date of the supporting P.O. was after the date of purchase, and 1 in which the P.O. nor invoice were stamped paid or cancelled.
 - Results of our tests produced a 28% compliance failure rate of the P.O. element of controls over procurement at the local school level.

Invoices

- Cullman Co – The Board has established policies and procedures for local schools to ensure adequate procedures for financial activities are followed. The following deficiencies were noted:
 - d. Invoices were not always paid in a timely manner resulting in late charges.
- Cullman Co – The Board has established policies and procedures for local schools to ensure adequate procedures for financial activities are followed. The following deficiencies were noted:
 - f. Adequate documentation was not available for all expenditures.

Payments

- Cullman Co – The Board has established policies and procedures for local schools to ensure adequate procedures for financial activities are followed. The following deficiencies were noted:
 - e. Checks were not written for all payments made.
- Etowah Co. - The following problems were found at Glencoe High School:
 - All obligations of the school are to be paid from the official checkbook. Not all expenditures of the school were paid from the official checkbook. Some were paid from cash receipts that had not yet been deposited into the bank.

Fund Raising

- Bullock – Local School Financial Procedures adopted by the Board require a form requesting authorization for a fundraising activity be approved by the principal prior to the start of the fundraising activity. The Board also requires all fundraisers be approved by the Superintendent. Additionally, these procedures require a form to be submitted to the principal to document the results of the fundraiser within a reasonable time after the completion of the fundraising activity. During the review of fundraising activities for local schools, it was noted at South Highlands Middle School, proper procedures were not followed for fund raising activities.

Fund Raising

- Cullman Co – The Board has established policies and procedures for local schools to ensure adequate procedures for financial activities are followed. The following deficiencies were noted:
 - b. Adequate records were not always maintained for fundraisers to determine if money was remitted timely for deposit.

Fund Raising

- Dale – The Dale County Board of Education’s Policy 4.43 states, “Out-of-state field trips must be approved by the Board.” In addition, Policy 4.50 states, “All monies accruing to any school club or organization shall be accounted for through the school’s internal accounting system.” An out-of-state field trip for students of Ariton School was not approved by the Dale County Board of Education. A bank account that was opened to account for fundraiser proceeds and disbursements to be used for the trip was not accounted for through the schools internal accounting system. The bank account was not recorded on the books of the school, deposits made to the bank account were not supported by receipts and fundraiser reports, and amounts disbursed from the account were not properly supported and approved.

Questions?