

ASD INTERNAL AUDIT REPORT

2017-03

Decentralized Student Activities

Anchorage School District

September 8, 2017

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Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

September 8, 2017

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2017-03, Decentralized Student Activities, Anchorage School District**. A brief summary of the report is presented below.

We have completed an audit of the Anchorage School District's Decentralized Student Activities. The objective of this audit was to determine if decentralized student activity funds were consistently and effectively managed and controlled throughout the District according to its policies and procedures. To achieve our objective, we judgmentally selected cash receipts and deposits to ensure funds were deposited and accounted for properly. We also reviewed disbursements and account adjustments to determine if they were properly supported. In addition, we reviewed money used to provide change (change funds), raffle ticket activity, and evaluated the effectiveness of internal controls. The scope of our review consisted of decentralized transactions for cash receipts and disbursements processed from January 1, 2016, through February 28, 2017. For the review of change funds we went back to July 1, 2015, to ensure we had an accurate understanding of when change funds were established.

Improvements are needed to better account for decentralized student activity funds. Specifically, cash and checks deposited at the bank did not always match what was collected by schools, cash was not always deposited timely, and raffle ticket activity and sales in calendar year 2016 were not documented and were not in a condition to be audited at one high school. Moreover, some schools did not account for change funds properly, cash receipt numbers were not always accounted for in Datateam Activities Accounting Pro or manual receipts were not on file, and disbursements were not always properly documented and executed as required by the Student Activity Funds Accounting Manual. In addition, three purchase quotes were not obtained for disbursements made to vendors who had a conflict of interest waiver on file, adjustments in Datateam Activities Accounting Pro were not always documented by signed fund transfer forms or adjustment journals as required by the Student Activity Funds Accounting Manual, and gaps in check numbers existed at four schools. Finally, a donation and some purchases were not properly approved, a process control weakness existed for entering timely receipts into Datateam Activities Accounting Pro, and additional guidance is needed in the Student Activity Funds Accounting Manual to address the receipt of large volume transactions.

There were twelve findings in connection with this audit. Management was responsive to the findings and recommendations.

Michael Chadwick, CIA, CICA
Director, Internal Audit



Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

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Anchorage School District

Introduction. The Anchorage School District (District) allows secondary and alternative schools to manage their own student activity funds with their own checking accounts and accounting system. These funds, known as decentralized funds, are kept separate from the central accounting system. Datateam Activities Accounting Pro (AA Pro) serves as the decentralized accounting system for cash receipts, disbursements, and accounting adjustments for decentralized funds. According to AA Pro, for the period of July 1, 2015, through February 28, 2017, about \$10 million in revenue was generated from decentralized accounts. Additionally, nearly \$9.2 million was expended from decentralized student activity accounts. There were 21 schools that had decentralized accounts. During the 2016-17 school year, two schools began accounting for activities using the central accounting system called Integrated Financial and Administrative Solution (IFAS).

Schools with decentralized accounts are generally responsible for accounting and depositing their own cash and checks collected from student activities such as field trips, dances, ticket sales for sporting events, and vending machine proceeds. Schools are also responsible for maintaining their own documentation for checks issued to purchase supplies and equipment, pay vendors, and reimburse staff. Bank deposits, disbursements, and account adjustments are initiated, processed, documented, and reconciled at the school level. Activities Clerks and Financial Data Control Clerks (FDCC) at high schools and middle schools, respectively, are assigned to collect funds, print checks, and input and modify data in AA Pro. The District created the Student Activity Funds Accounting Manual (Activity Manual) to address the proper way to manage and account for funds from decentralized student activities.

Objective and Scope. The objective of this audit was to determine if decentralized student activity funds were consistently and effectively managed and controlled throughout the District according to its policies and procedures. To achieve our objective, we judgmentally selected cash receipts and deposits to ensure funds were deposited and accounted for properly. We also reviewed disbursements and account adjustments to determine if they were properly supported. In addition, we reviewed money used to provide change (change funds), raffle ticket activity, and evaluated the effectiveness of internal controls. The scope of our review consisted of decentralized transactions for cash receipts and disbursements processed from January 1, 2016, through February 28, 2017. For the review of change funds we went back to July 1, 2015, to ensure we had an accurate understanding of when change funds were established.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was performed during the period of March through June 2017. The audit was requested by the Anchorage School District Finance Committee.

Overall Evaluation. Improvements are needed to better account for decentralized student activity funds. Specifically, cash and checks deposited at the bank did not always match what was collected by schools, cash was not always deposited timely, and raffle ticket activity and sales in calendar year 2016 were not documented and were not in a condition to be audited at one high school. Moreover, some schools did not account for change funds properly, cash receipt numbers were not always accounted for in AA Pro or manual receipts were not on file, and disbursements were not always properly documented and executed as required by the Activity Manual. In addition, three purchase quotes were not obtained for disbursements made to vendors who had a conflict of interest waiver on file, adjustments in AA Pro were not always documented by signed fund transfer forms or adjustment journals as required by the Activity Manual, and gaps in check numbers existed at four schools. Finally,

a donation and some purchases were not properly approved, a process control weakness existed for entering timely receipts into AA Pro, and additional guidance is needed in the Activity Manual to address the receipt of large volume transactions.

Management Comments. Management stated, "In summary, Business Management began to transition all of the decentralized accounts to the district's accounting software system and centralized processes in FY17 and will continue to phase in additional schools throughout FY18. In addition to, and in conjunction with centralization of activities, the district is working towards an improved cash receipting software for the district that will provide better tools for schools and parents to manage activities and cash handling. The software is geared towards electronic payment methods, which will allow users to take advantage of this functionality, through fixed and mobile devices. Online payments will decrease the amount of cash handling in schools. This direction will also deliver enhanced transparency for internal controls and management of district funds. The Activity Manual will be revised to correspond with the new software and to comply with auditors' comments."

FINDINGS AND RECOMMENDATIONS

1. Variances in Checks and Cash Deposited.

- a. Finding.** Cash and checks deposited at the bank did not always match what was collected by schools. Money count sheets were prepared by staff that collected money from students, which indicated the types of currency and amount of checks collected. We reviewed 54 deposit packets, which were made up of 662 individual receipts from 11 schools. We found that 9 of 54 (17%) deposit packets from four schools contained variances between the money count sheets and what was actually deposited. In addition, there was no evidence in these nine deposit packages that two people counted and verified the deposit prior to being taken to the bank. Examples of variances included:

- At a middle school, the deposit contained a shortage of \$416, where cash was short \$413 and checks were short \$3. The following month, a subsequent deposit showed that \$416 more in cash was deposited in the bank, compared to what was reported on the money count sheets. Additionally, a deposit was short \$75. School staff stated that money was withheld and used to pay for concession items. We notified District management of the irregularities when they were discovered.
- At a high school, cash was short \$99, compared to money count sheets, but checks were over \$99.

As noted in the Activity Manual, “. . . the deposit should be counted by the Activities Clerk in the presence of a representative of the organization turning the money in. The Activities Clerk will count the cash and checks and verify the correct amount has been listed on the money count sheet.” It is an important internal control to have two people count the cash and checks and compare the totals to the money count sheets prior to taking the deposit to the bank. Failing to maintain dual controls could create an opportunity to misappropriate funds.

b. **Recommendations.** The Chief Financial Officer and Chief Academic Officer should:

- 1) Provide training to school administrators and staff about risks associated with poor internal controls over cash handling.
- 2) Document that two people have counted and verified the deposit and compared totals against the money count sheets before the deposit is made.

c. **Management Comments.** Management stated, “Management agrees with auditors’ recommendations.

- a. "Business Management will follow up with school administrators and staff to facilitate additional training and education of cash handling processes.
- b. "Finance has been evaluating improved cash receipting software that encourages non-cash transactions and delivers better transparency of collections and deposits."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendations.

2. **Cash Not Always Deposited Timely.**

- a. **Finding.** Cash was not always deposited timely. We reviewed 662 receipts from 11 schools totaling \$373,956. We found that 169 of 662 (26%) receipts were not deposited within a week. Delays in depositing money ranged from 8 days to about 7 months. At a high school, there was an instance where over \$1,000 was collected by staff in September 2015, but was not deposited until April 2016. According to the Activity Manual, "All cash or checks received by the Activities Office are to be deposited intact and on a timely basis. . . . deposits should be made at least once a week and more often if the cash is \$1,500 or more. Large sums should be deposited the same day and not held overnight." Holding on to money creates an opportunity for loss and misappropriation of funds. Additionally, student clubs and organizations may not have access to their funds if money is not deposited timely. Untimely deposits were the result of staff holding on to money and not remitting it to the Activities Clerks and FDCCs on time, and/or the Activities Clerks and FDCCs not preparing the bank deposits timely.
- b. **Recommendations.** The Chief Financial Officer and Chief Academic Officer should:
 - 1) Encourage staff to turn in money to the Activities Office on a timely basis.

- 2) Require that school administrators monitor the frequency of cash deposits to ensure that they are deposited timely as required by the Activity Manual.

c. **Management Comments.** Management stated, "Management agrees with auditors' recommendations.

- a. "Business Management will follow up with school administrators by means of additional training and education on associated risks and the value of timely deposits to ensure that district internal controls are being sustained.
- b. "Training for clerical staff was enhanced this year for new and returning employees that handle the collection and depositing of funds for the schools. Additionally, online tools are being developed for trainings and step-by-step instructions for the clerical staff.
- c. "Administrators are being reminded of their responsibility to maintain oversight of cash deposits as required by the Activity Manual."

d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendations.

3. **Raffle Activity Not Managed Nor Documented Properly.**

- a. **Finding.** Raffle ticket activity and sales in calendar year 2016 were not documented and were not in a condition to be audited at one high school. We counted sold and unsold raffle tickets and found gaps in the inventory. Raffle tickets were in a bag and contained no records of beginning and ending numbers or any records of how many tickets were sold. When we arranged the tickets in numerical order we determined that at least 779 raffle tickets were printed. We found that 260 were sold, 244 were unsold,

and we were unable to account for 275 tickets. We estimated that the 260 sold tickets generated about \$2,590. Since we could not compare sales to activity records, we could not determine that cash receipts were reported properly to the Activities Office. According to *15 Alaska Administrative Code 160.670, Raffle record*, a permittee shall keep record of the number of raffle tickets printed, the number of raffle tickets sold, the number of unsold raffle tickets and the price collected for a raffle ticket. By inadequately accounting for sold and unsold tickets, the school cannot determine that raffle ticket sales were remitted, and thus deposited. The opportunity to misappropriate raffle tickets receipts increases if raffle activity is not monitored and documented.

Additionally, the Alaska Department of Revenue (ADOR) suspended the high school's raffle permit for failing to file an annual financial statement. As of May 30, 2017, the financial statement had not been submitted to ADOR. School staff stated that a previous clerk failed to file the financial statement. According to Charitable Gaming Statute, *05.15.080. Reports and fees required of municipalities and qualified organizations*, "[A] qualified organization issued a permit . . . shall file an annual report with the department by March 15 of the year following the year in which activities were conducted"

- b. **Recommendation.** The Chief Financial Officer and Chief Academic Officer should evaluate the high school's feasibility of maintaining and managing the raffle account, as required by ADOR, and determine if the raffle account should continue to exist.
- c. **Management Comments.** Management stated, "Management generally agrees with auditors' recommendations."
 - a. "Business Management will follow up with school administrators to determine whether raffle accounts are necessary at schools, and what training would be required to assure proper management of future accounts.

b. "Presently, the one raffle account has been closed at the school under audit."

d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Change Funds Not Accounted for Properly.**

a. **Finding.** Some schools did not account for change funds properly. We counted change fund boxes at 10 schools and found that three schools had discrepancies between what we counted and what should have been on hand. We found the following:

- A middle school should have had \$600, but we counted \$172, a shortage of \$428. The cash change box control log indicated that an employee issued \$300 to herself and \$25 to a teacher. The funds were not signed back in and staff could not tell us who had the outstanding funds.
- A high school should have had \$2,500, but we counted \$2,386.15, a shortage of \$113.85. According to school staff, of the \$113.85 short, \$100 was accidentally deposited into another account.
- Another high school should have had \$1,000, but we counted \$1,502.50, an overage of \$502.50. School staff said they accidentally returned too much money to the change fund following a fund raiser.

Cash change box control logs were not effectively used at these three schools. According to the Activity Manual, "When a cash change box is issued to a student organization, it should be recorded on the Cash Change Box Control Log. The date issued, student organization, and amount in the cash change box should be recorded . . . The cash on hand plus the outstanding cash box amounts listed on the control log

should always equal the initial amount set up and recorded for the change fund.” By failing to review the cash change box control log when funds were turned in, staff did not confirm if the change fund needed to be made whole again. Using and reviewing the cash change box control log establishes custody of funds, which may help identify who had the money last.

b. **Recommendations.** The Chief Financial Officer and Chief Academic Officer should:

- 1) Follow up with school administrators to determine that variances in change funds have been researched and documented. Remind staff to review the control log each time staff turn in money from an event.
- 2) Develop a procedure for school administrators to conduct unscheduled cash counts of change funds and report results to the Accounting Department (Accounting).

c. **Management Comments.** Management stated, “Management agrees with auditors’ recommendations.

- a. “Staff is reminded at the clerical advance trainings to review the control log with each transaction of money submitted from an event and returned to the cash box;
- b. “School administrators will be asked to conduct random audits of their change funds.”

d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendations.

5. **Gaps in Cash Receipt Numbers Existed in AA Pro.**

- a. **Finding.** Cash receipt numbers were not always accounted for in AA Pro or manual receipts were not on file. Manual receipts are made up of a three-part receipt. The original is given to the person who remitted funds, the second is attached to the deposit documentation, and the third is retained in the file, in numerical sequence. We identified receipts that were not entered in AA Pro or were missing. For example:

- *No AA Pro Entries* – At five schools we identified 61 manual receipts, totaling \$4,928 that were not entered in AA Pro. We identified the receipts based on the file copies retained at the schools. Receipt descriptions indicated that money was collected for purchases such as an end of year trip, student identification (ID) cards, yearbooks and graduation items. At one high school, staff stated that they issued individual receipts to students for the sales of yearbooks and identification cards, but then entered the combined sales onto a single receipt, which was entered in AA Pro. Staff said it was easier to lump yearbook and ID sales together. Due to the high volume of transactions it was cumbersome to enter individual transactions in AA Pro. Additionally, the high school issued manual receipts for the sales of graduation tassels and stoles. However, they were not entered in AA Pro because money was given directly to the vendor that supplied the items.
- *Missing Manual Receipts* – At two schools we identified 14 manual receipts that were physically missing. The manual receipt copies were not found in the permanent records. We could not determine the dollar value of these missing receipts.

Furthermore, receipt numbers at another high school were not in a condition to be audited. The high school began accounting for its activities in IFAS, instead of AA Pro,

during the 2016-17 school year. We found that 984 manual receipts were issued, but staff did not enter the corresponding receipt numbers into IFAS. Instead, a new receipt number was generated by IFAS, which did not match the manual receipt number.

According to the Activity Manual, sequential receipts should be numerically controlled and recorded in AA Pro and voided receipts should be retained and filed in sequential order. Failing to account for receipt numbers and receipt copies could lead to opportunities to misappropriate funds.

- b. **Recommendation.** The Chief Financial Officer and Chief Academic Officer should remind staff to enter individual receipt numbers and totals in AA Pro and to retain voided receipts.
- c. **Management Comments.** Management stated, "Management agrees with auditors' recommendations."
 - a. "The district's accounting software allows for manual entry of the receipt number, and thereby, the capability to tie to a manual receipt number.
 - b. "Accounting will reinforce the importance of tying the manual receipt number to the accounting software, and also remind staff of the process entering the receipt initially in the accounting software and bypassing the potential of duplication.
 - c. "Staff is reminded of the importance of retaining voided receipts at regular clerical trainings.
 - d. "Finance has been evaluating improved cash receipting software that provides for better transparency of receipting and deposits."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

6. **Disbursements Not Always Properly Documented and Executed.**

- a. **Finding.** Disbursements were not always properly documented and executed as required by the Activity Manual. Our review of 244 disbursements totaling \$329,221 revealed instances where disbursements were not supported by invoices, original receipts, personal service contracts, or were not preapproved. For example:
- *No Invoices or Original Receipts* – Invoices or original receipts were not documented for 32 disbursements totaling \$19,564. Specifically, at 10 of 11 schools, some disbursements were supported by copies of receipts, instead of original receipts, or were not documented at all. For example, undocumented disbursements included funds for student trips, food items for a school store, personal reimbursements, and a bus rental. We also found a reimbursement to a teacher where her spouse's credit card was used at a restaurant for a student trip. A photo copy of the receipt was turned in for reimbursement which showed that the spouse made the payment.
 - *Reimbursements Inadequately Documented* – Two reimbursements were processed for staff without adequate documentation showing that the employee actually made the purchase. For example, we found a \$60 reimbursement for a coaching certification supported by a vendor invoice and a \$900 reimbursement for a donation made to a charitable organization supported by a hand-written receipt, but no evidence of who made the purchases. Accepting only original receipts for reimbursement ensures that the reimbursement has not already been processed and prevents the item from being returned after the reimbursement is

issued. Obtaining proof of payment for a reimbursement will maintain the accuracy and validity of the disbursement.

- *No Personal Service Contracts* – Three disbursements at two schools totaling \$450 were processed for services performed by independent contractors without a documented personal service contract. Types of services rendered included a performance class, disk-jockeying, and dance instruction. Per the Activity Manual, “All services to be performed by an independent contractor or an individual who is not an employee of the District should be documented on an ASD Student Activity Fund Personal Service Contract.”
- *No Pre-Approval* – Ninety-eight disbursements at 10 of 11 schools, totaling \$62,963, were not pre-approved by school administrators prior to the actual purchase. Per the Activity Manual, “All purchases requiring student activity funds should be authorized by the Principal or Assistant Principal over Student Activities, via Purchase Order before the expenditure is made.” In cases where a Purchase Order is not accepted by the vendor and an advance check is not possible “. . . the Purchase Request/Pre-Authorization form may be used as the pre-authorization document for a purchase and reimbursement.” Documenting pre-approval for purchases promotes transparency and allows school administrators to evaluate the need of a purchased item.

b. **Recommendations.** The Chief Financial Officer and Chief Academic Officer should:

- 1) Promote accountability by ensuring disbursements are pre-approved and supported by original receipts and invoices, as required by the Activity Manual.
- 2) Obtain proof of original payment prior to issuing a reimbursement to staff.

- c. **Management Comments.** Management stated, "Management agrees with auditors' recommendations."
 - a. "Procurement Cards (PCARDS) should be utilized in lieu of reimbursements to staff for student activities, eliminating the process of reimbursements to staff for such. Staff will be reminded of this process at clerical trainings.
 - b. "Pre-approval of purchase is required to be followed with proof of payment prior to reimbursement to staff."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendations.

7. **Three Quotes Not Obtained.**

- a. **Finding.** Three purchase quotes were not obtained for disbursements made to vendors who had a conflict of interest waiver on file. At three schools, five disbursements totaling \$10,803 were made to District employees who had a conflict of interest waiver on file. Three quotes, as required by the Activity Manual, were not obtained for these disbursements, which were made for athletic apparel and for assisting a high school theatre director. According to School Board Policy 725.8.3, *Disclosure and Waivers of Conflict of Interest*, "No Board member, employee, or a member of their household, shall acquire, directly or indirectly, an economic interest in a District or municipal contract, or engage in business with the District or the municipality, unless the contract is competitively solicited" There is a conflict of interest if an employee knowingly engages in any act in conflict with the employee's official duties. Favoritism may exist if employees are awarded contracts without requiring quotes from three different vendors.

- b. **Recommendation.** The Chief Financial Officer and Chief Academic Officer should provide training to school administrations and staff about procurement policies and how to identify if a vendor has a conflict of interest waiver on file.
 - c. **Management Comments.** Management stated, "Management agrees with auditors' recommendations."
 - a. "Accounting reviews the district's procurement policies during the mandatory clerical trainings, and the importance of disclosures and waivers of conflict of interest.
 - b. "Finance is moving towards centralizing these accounts, which provides for internal controls in its processes, and specifically for "conflict of interest" issues. The accounts will no longer be managed through an external accounting software which bypasses many of the district's internal controls in place for centralized accounting."
 - d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.
8. **Adjustments Not Always Supported by Documentation.**
- a. **Finding.** We found that 32 of 94 (34%) adjustments in AA Pro were not always documented by signed fund transfer forms or adjustment journals as required by the Activity Manual. Adjustments were processed to transfer funds to different accounts and to correct accounting errors, such as posting transactions to the wrong account. According to the Activity Manual, all fund transfers require the completion of a transfer authorization form, which should be signed by a principal or assistant principal over student activities. Additionally, the signature of the student organization sponsor is

needed if funds will be moved between student organization accounts. Also, adjustments and corrections to increase or decrease account balances must be supported by an approved expense adjustment journal from AA Pro and should be filed in the permanent expense adjustment journal file. Documenting and obtaining approval of adjustments for fund transfers and account corrections promotes dual controls and transparency.

- b. **Recommendation.** The Chief Financial Officer and Chief Academic Officer should ensure that school administrators and staff retain supporting documentation to validate funds transfers and account corrections.
- c. **Management Comments.** Management stated, "Management agrees with auditors' recommendations."
 - a. "At training intervals, clerical staff will be reminded to follow the Activity Manual, which requires a signed fund transfer form, or adjustment journal.
 - b. "Finance is moving towards centralizing these accounts, which provides for internal controls within its processes. Phase one began in FY17 and the district will continue to phase in additional schools throughout FY18."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

9. **Gaps in Check Sequence.**

- a. **Finding.** We identified 24 gaps in check numbers at four schools. Specifically, gaps existed in the check number sequences in AA Pro. As a result, we were unable to determine if these checks were unused or voided, or if they were pre-signed and

removed from the check stock. According to the Activity Manual, all void and unissued checks should be entered in AA Pro. Voided checks should be retained with all copies staples together and filed in numerical sequence.” By voiding checks, gaps will not exist in the check numbers and may prevent a blank check from being used for personal purposes.

- b. **Recommendation.** The Chief Financial Officer and Chief Academic Officer should remind staff to retain and void checks in AA Pro, as required by the Activity Manual.
- c. **Management Comments.** Management stated, “Management agrees with auditors’ recommendations.
 - a. “At training intervals, clerical staff will be reminded to follow the Activity Manual, which requires all void and unissued checks to be entered in the external accounting software system, AA Pro.
 - b. “Finance is moving towards centralizing of these accounts, which provides for internal controls within its processes by requiring the next check number to be used, and thereby, enforcing voided and unissued checks to be recorded.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

10. **Unapproved Donations and Purchases.**

- a. **Finding.** A donation and some purchases were not properly approved. For example, a school made a \$222 donation to a charitable organization that was not on the approved ASD Charitable Giving Campaign list, nor was it approved by the appropriate Instructional Division Executive Director as required by ASD Policy 497, *Fund Raising*

Programs. The agencies that are on the approved list met the criteria for charitable organizations to receive donations through the District's charitable contribution campaign. These charitable organizations were approved by the Alaska Combined Federal Campaign. The risk of fund misappropriation increases if funds are donated to unapproved agencies and causes.

We also found two gift cards that were not properly approved. According to Accounting staff, gift card purchases are generally not allowable, but are evaluated on a case by case basis.

- b. **Recommendation.** The Chief Financial Officer and Chief Academic Officer should remind staff to obtain and document approval for gift card purchases and donations to organizations that are not on the pre-approved list.
- c. **Management Comments.** Management stated, "Management agrees with auditors' recommendations."
 - a. "Staff will be reminded at district trainings to follow policies and procedures, which require all donations made to be pre-approved per ASD Policy 497, and listed on the ASD Charitable Giving Campaign."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

11. **Process Control Weakness for Entering Timely Receipts.**

- a. **Finding.** A process control weakness existed for entering timely receipts into AA Pro. The Activity Manual does not require that staff enter the manual receipt into AA Pro when money is remitted or before the deposit is made. Instead, the Activity Manual

states, "As soon as a deposit is made to the bank, the sequential receipts should be recorded into Activities Accounting Pro." For example, at a high school, 59 receipts for four deposits, totaling \$69,461, were entered in AA Pro after funds were deposited. To illustrate, a deposit was made on February 10, 2017, but the corresponding manual receipts were not entered into IFAS until four days later. As a strong internal control, receipts should be entered into the accounting system as soon as they are received, especially in an environment where receipts are not always deposited timely. Money could be misappropriated if receipts are not entered in AA Pro prior to the bank deposit. Entering manual receipts in AA Pro as soon as money is remitted is a control to show how much was collected and assists in the reconciliation of AA Pro to bank deposits. This will allow a receipt journal to be reviewed by a second person, who will also confirm that the information in AA Pro is correct.

- b. **Recommendation.** The Chief Financial Officer should revise the Activity Manual to require staff to enter manual receipts into AA Pro when funds are remitted, instead of waiting until after the money has been deposited at the bank.
- c. **Management Comments.** Management stated, "Management agrees with auditors' recommendations."
 - a. "Management will revise the Activity Manual with the requirement of receipts to be entered timely, at the time funds are remitted, and not delayed until the deposit is made at the bank.
 - b. "Finance began moving towards centralizing these accounts in FY17 and will continue to phase in additional schools throughout FY18. This will provide for more functionality and transparency in recording transactions."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

12. **Additional Guidance Needed for Large Volume Receipts.**

- a. **Finding.** Additional guidance is needed in the Activity Manual to address the receipt of large volume transactions. The IFAS Cash Handling Guide provides guidance for centralized activity. It establishes the practice of using a funds transfer form to itemize the names of payers who submitted funds for field trips or other fees. The Activity Manual does not establish this practice. If multiple centralized receipts for large field trips or class fees require a funds transfer form, then decentralized receipts from multiple students should be documented in the same manner. Failing to document who paid for field trips or yearbooks may hinder determining if a refund needs to be issued in the future. A funds transfer form will also provide additional information on how much was actually collected from students.
- b. **Recommendation.** The Chief Financial Officer should establish a process to ensure that decentralized funds for large volume receipts are documented in a consistent manner as centralized receipts.
- c. **Management Comments.** Management stated, "Management agrees with auditors' recommendations."
 - a. "Management will revise the Activities Manual to clarify the process for entering an itemized receipt to account for multiple receipts for field trips or sales submitted at a single venue, which will be consistent with how centralized accounts are documented."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate District officials on June 20, 2017.

Audit Staff:
Brenda Peña, CFE