FINANCIAL RELATED AUDIT
OF
ELMDALE ELEMENTARY SCHOOL
School Year 2008-09

REPORT NO: 09-075

REPORT DATE: June, 2009
BACKGROUND

For School Year 2008 – 2009, approximately 191 students were enrolled at Elmdale Elementary School, which has grade levels Kindergarten through Fifth. Ms. Jacqueline McNeal was the Principal during this time period and has been serving in this capacity since July 2005.

Mr. Francine Bell, Head Secretary, performs the bookkeeping duties and has been doing so since August 2008.

Elmdale Elementary School Elementary maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include student activities, fundraising activities, vending machine revenue, and special project funds (i.e., Title I & Safe and Drug free). Sources of District Fund Revenues include Food Services (i.e., lunchroom).

AUDIT OBJECTIVES

The objectives of the audit were to ensure that:

1) The cash management system is effective in controlling the receipt, processing, deposit, and disbursement and accounting of funds to limit any risk of theft, misuse and/or misappropriation, and

2) General School funds (for example, student fees, fundraising activities, grants, etc.) and District funds (for example, lunchroom receipts, fines, athletic/league game receipts, summer school tuition, etc.) are properly accounted for, safeguarded and used as intended.

SCOPE & METHODOLOGY

The scope of the audit was to review the cash management activities from July 1, 2008 through March 31, 2009 for school year 2008-2009.

1) Interviewed key school officials to obtain an understanding of their cash management process.

2) Prepared a process narrative documenting the controls in place for each source of revenue.

3) Reviewed monthly cash receipt and cash disbursement ledgers: If the ledgers did not exist, transaction activities were compiled by totaling cash receipt records and reviewing the check register for cash disbursements.

4) Completed a cash receipt ledger template: The ledger was designed to identify funds, which may have been received but not deposited. Performed research as necessary.
SCOPE & METHODOLOGY (continued)

5) **Performed a cash count:** All cash on hand waiting to be deposited, as of the audit date, was counted under dual control by a field auditor and witnessed by a school official. The count did not include sealed cash for lunchroom deposits.

6) **Compiled financial data via bank reconciliation templates:** Reviewed reconciliations completed by the schools to identify banking irregularities and reconciling items outstanding for an extended period of time. Confirmed bank reconciliations were completed as reported to the Office of Central Accounting.

FINANCIAL SUMMARY

Table 1.1: **Cash Receipts from General and District School Funds (July 2008 – March 2009)**

<table>
<thead>
<tr>
<th>ACCOUNT TYPE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Checking Deposits</td>
<td>$11,236</td>
</tr>
</tbody>
</table>

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted the following control weakness:

Non-compliance with District cash management policy, specifically checks received via U.S. mail were not always logged/ receipted.

The detail of this finding and recommendation is included in the Findings Section of this report.

AUDIT FINDINGS

1. **Finding - School Administrative Financial Manual Non-Compliance:**
   The “School Administrative Financial Manual 2006-07” (SAFM) governs the cash management function within the District.

   The following non-compliance issue was noted:
   o The cash receiving process disclosed checks received via U.S. mail were not always logged/ receipted, providing an audit trail for all receipts.

   **Cause**
   Lack of adherence to existing District polices (i.e., SAFM.)
Effect
Lack of adherence to District policies can lead to inconsistent practices resulting in processing inefficiencies, inaccuracies and/or misappropriation of funds.

Recommendation
The Principal should ensure that all staff responsible for financial transactions, are trained on District policy for cash management activities, as detailed in the “School Administrative Financial Manual 2006-07.”

Also, the principal should ensure that all individuals involved in the cash management process are aware of where current District polices are stored on the intranet, as well as appropriate contact information for those Central Accounting Office personnel responsible for assisting in the accounting process.

MANAGEMENT RESPONSE

Written Response to Audit Finding
Elmdale Elementary
Jacqueline McNeal, Principal

Checks received via U.S. mail were not always logged/ receipted. Mrs. Bell and I have discussed the proper procedures in logging/receipting all checks received. In the future, one staff member will be designated to receipt on all incoming cash/checks and another staff will be responsible for the deposit.

All staff responsible for financial transactions will be trained on District policy for cash management activities, as detailed in the “School Administrative Financial Manual 2006-07, when training becomes available.

All involved parties are aware of the cash management process and the location of where current District polices are stored on the intranet, as well as appropriate contact information for those Central Accounting Office personnel responsible for assisting in the accounting process.
Our audit was performed in accordance with U.S. General Accounting Office Government Auditing Standards and Standards of the Institute of Internal Auditors.

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Odell W. Bailey, CIA
Auditor General