BACKGROUND
For School Year 2008 – 2009, 612 students enrolled at Fisher Magnet Elementary School which has grade levels Pre-Kindergarten through Eighth. Ms. Linda McIntosh was the Principal during this time period and has been serving in this capacity since 2001. The bookkeeping duties have been performed since 2004 by Ms. Lisa Sullivan.

Fisher Magnet Elementary School maintains one commercial checking account with Chase Bank. Primary sources of General School Funds include vending machines, school fundraisers (candy and pizza kits), Chicago field trip and district grants (Title 1 and Parent Involvement). The primary sources of District Fund Revenues are the lunchroom collections and the summer school program.

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.
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 example, lunchroom deposits.
SCOPE & METHODOLOGY (continued)

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>$ 5,910</td>
</tr>
</tbody>
</table>

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted control weaknesses related to compliance with District cash management policy. Specifically,

• Receipts were not recorded in a pre-numbered duplicate receipt book
• Cash receipts were not accurately posted in the ledger

The detail of these findings and recommendations are included in the Findings Section of this report.
1. **Finding - School Administrative Financial Manual Non-Compliance:**  
The following was noted during the test of compliance with the “School Administrative Financial Manual 2006-07” (SAFM)  
The following non-compliance issues were noted:

   o Receipts were not consistently recorded on a pre-numbered duplicate receipt book. The bookkeeper stated that she continues to use the AC-1 Form to record Receipts.

   o Cash receipts were not properly collected and posted in the ledger: The eighth grade Advisor collected funds from students for an eighth grade out-of-town trip. Although the Advisor issued a receipt upon receiving moneys for the trip: they were not pre-numbered and in duplicate form; they were not recorded in the cash receipts ledger; and were not given directly to the bookkeeper for safekeeping. The Advisor took the funds to her personal credit union and converted the funds into a Money Order which she provided to the bookkeeper.

**Cause**  
School officials stated they were unaware of the District’s SAFM and therefore were not aware of certain forms and requirements for cash receipt activity.

**Effect**  
Lack of adherence to District policies can lead to inconsistent practices resulting in processing inefficiencies, inaccuracies and/or misappropriation of funds. Moreover, the lack of controls over cash receipts and safeguarding of cash raises serious concerns about the accuracy of the collection process and ultimate expenditure for the trip.

**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 2006-2007.

Also, 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 Responses provided by Ms. Linda McIntosh, Principal:

Fisher Magnet School
Financial Audit
2008-2009 School Year

Response to Audit Findings:

1. School Administrative Financial Manual Non-Compliance:

   - Receipts were not consistently on a pre-numbered duplicate receipt book.

   **Response:** Receipt books will be utilized. Compliance with the SAFM will be adhered to and it is recommended that training be provided for administration as well as bookkeeping staff.

   - Cash receipts were not properly collected and posted in ledger.

   **Response:** Compliance with the SAFM will be adhered to as it relates to any school activities where funds are collected.

Training for designated staff as well as myself is recommended to ensure that any financial transactions made at the school level adhere to District policy. I will also ensure that staff is made aware of District policies available on the internet and make use of the Central Accounting Offices if assistance is needed 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.

This report is intended solely for management and should not be used for any other purpose. This restriction is not intended to limit the distribution of the report which is a matter of public record.

Odell W. Bailey, CIA
Auditor General