BACKGROUND

For School Year 2008 – 2009, approximately 499 students were enrolled at Communications and Media Arts High School, which has grade levels Ninth through Twelfth Grade. Mr. Matthew Dixon was the Principal during this time period and has been serving in this capacity since July 2008.

Ms. Karen Anderson-Rogers, Clerical IV, performs the bookkeeping duties and has done so since July 2008. In addition, Ms. Sherry Green, Clerical II, collects the cash receipts and prepares the pre-numbered duplicate receipt forms.

Communications and Media Arts High School maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include student activities, fundraising activities and local grants (e.g., Skillman). 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>
<thead>
<tr>
<th>Table 1.1: Cash Receipts from General and District School Funds (July 2008 – March 2009)</th>
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</thead>
<tbody>
<tr>
<td>ACCOUNT TYPE</td>
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<tr>
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<tr>
<td>Commercial Checking Account Deposits</td>
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AUDIT RESULTS IN BRIEF

Based on our audit of the Communication and Media Arts School cash management process, we noted control weaknesses related to cash receipts, cash disbursements, and bank reconciliations:

- Non-compliance with District cash management policy:
  - Checks were issued without a second authorization signature.
  - Deposit tickets were not used to deposit funds into the school checking account.

The detail of these findings and recommendations are included in the Findings Section of this report.

Achievements

Communication and Media Arts High School is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as an Emerging School. This indicates that they have met criteria such as: (1) Demonstrating the ability to assist students in obtaining satisfactory ACT and SAT scores; (2) Offering college prep curricula to most students; and (3) Having strong graduation and grade-level-retention rates, etc.
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 issues were noted:
   - Two checks were issued without a second authorized signer.
   - Deposit tickets were not used to deposit funds from July 2008 through November 2008.

**Cause**

School officials were not aware of the “School Administrative Financial Manual 2006 – 2007.”

**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.

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**MANAGEMENT RESPONSE**

Management responses provided by Mr. Matthew Dixon, Principal:

We will comply with the recommendations given in the audit findings.
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