BACKGROUND

For School Year 2008 – 2009, approximately 335 students were enrolled at Bunche Elementary School, which has grade levels Pre-Kindergarten through Fifth. Mr. Marvin Franklin was the Principal during this time period and has been serving in this capacity since July 2007.

Ms. Yolanda Reeves, Secretary, performs the bookkeeping duties and has worked in this capacity for three years.

Bunche Elementary School Elementary maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include fundraising activities, vending machine revenue and special project funds (i.e., Early Childhood). 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.
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>$3,239</td>
</tr>
</tbody>
</table>

### AUDIT RESULTS IN BRIEF

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

- Non-compliance with District cash management policy
  - Checks were issued with only the Principal’s signature.
  - All bank reconciliations were not prepared.

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 issues were noted:

   - Checks were not issued with dual signatures; they were only signed by the Principal.
   - Bank reconciliations were not prepared for July 2008 through December 2008.
AUDIT FINDINGS (continued)

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.”

MANAGEMENT RESPONSE

Management responses were provided by Mr. Marvin Franklin, Principal:

During the upcoming school year, I will make sure that all secretaries will be trained on the District policy for cash management activities.

Also, all checks will be signed by two signers so that there will not be any inaccuracies and/or misappropriation of funds.

The reconciliation for the aforementioned months of July 2008 to December 2008 has been updated also.
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