FINANCIAL RELATED AUDIT
OF
CODY 9TH GRADE ACADEMY
School Year 2008-09
REPORT NO: 09-039

REPORT DATE: June 30, 2009
BACKGROUND

For School Year 2008 – 2009, approximately 409 students were enrolled at Cody 9th Grade Academy. Ms. Gabriela Gui was the Principal during this time period and has been serving in this capacity since July 2008. Prior to this assignment, she was the principal of Pershing High School.

Ms. Sandra Hamilton, Secretary, performs the bookkeeping duties and has been doing so since January 2009.

Cody 9th Grade Academy maintained a commercial checking account with Chase Bank. Primary sources of General School Funds included fundraising activities and special project funding (Title I). 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.
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>$150</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,

- Fundraising proceeds were not always deposited into the checking account.
- Cash receipts were not always posted to the school ledger.
- January 2009 bank statement was not available to support the monthly bank reconciliation.

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

- Fundraising proceeds totaling $791.52 were not deposited into the school checking account.
- Cash receipts were not always posted to the school ledger.
- January 2009 bank statement was not available to support the monthly bank reconciliation.

**Cause**

Failure to comply with District policies and best practices.

**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, ensure that all individuals involved in the cash management process are aware of where current District policies 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. Gabriela Gui, Principal:

Response to specific non-compliance issues:

**Issue:** Fundraising proceeds totaling $791.52 were not deposited into the school checking account.

**Response:** For the future, I will make sure money collected is deposited first into the bank account and then make payments from the bank account.

**Issue:** Cash receipts were not always posted to the school ledger.

**Response:** In the future, we will make sure to make it a priority to deposit money as soon as it is collected, and then make payments via the bank account.

**Issue:** January 2009 bank statement was not available to support the monthly bank reconciliation.

**Response:** A copy of the January 2009 statement was requested from the bank.
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