BACKGROUND

For the 2008-2009 school year, approximately 600 students were enrolled at Earhart Middle School, which has grade levels sixth through eighth. Mr. Gerald Vazquez was the Principal during this time period and has been serving in this capacity since 2004.

Ms. Stephanie Feliciano, Educational Technician, performed the bookkeeping duties and has done so since July 2008.

Earhart Middle School maintains one commercial checking account at Comerica Bank. Primary sources of General School Funds include student activities and local business partnerships. 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.

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**FINANCIAL SUMMARY**

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

<table>
<thead>
<tr>
<th>ACCOUNT TYPE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Checking Account Deposits</td>
<td>$11,513</td>
</tr>
</tbody>
</table>

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**AUDIT RESULTS IN BRIEF**

Based on our audit of the Earhart Middle School cash management process, we noted control weaknesses related to compliance with District cash management:

- Pre-numbered duplicate receipt forms were not prepared and distributed.
- Bank reconciliations were not prepared.

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 “School Administrative Financial Manual 2006 -07” (SAFM) governs the cash management process.

   The following non-compliance issues were noted:
   - Pre-numbered duplicate receipt books were not used.
   - Bank reconciliations were not prepared.

   **Cause**
   
   The school official stated that she was unaware of the District’s SAFM and therefore was not aware of the requirement to use certain forms for cash receipts and check requests.

   **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, they 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 responses to be provided by Ms. Linda Lewis-Tucker, Principal (new principal):

- I will provide copies of financial management procedures for all who are involved with the school finances.

- Pre-numbered receipts are available and are used. Guidelines for the usage and location of the receipt book will be disseminated to the appropriate personnel.

- Bank reconciliations will be done weekly so that monthly statements can be produced in a timely manner.
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