

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF COOKE ELEMENTARY SCHOOL School Year 2008-09

REPORT NO: 09-044

RELEASE DATE: June, 2009

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**DETROIT PUBLIC SCHOOLS
COOKE ELEMENTARY SCHOOL
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BACKGROUND

For the 2008-2009 School Year, approximately 383 students were enrolled at Cooke Elementary School, which has grade levels Pre-Kindergarten through Sixth. Mr. Arthur Flowers was the Principal during this time period and has been serving in that capacity since July 2001.

Ms. Vitoria Rutledge, Clerical III, performed the bookkeeping duties and has been doing so since 1997.

Cooke Elementary School maintains one commercial checking account at Chase Bank. Primary sources of General School Funds are from student activities (i.e., field trips), fundraising activities and special purpose funds (i.e., 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.
- 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.

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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 School and District Funds (July 2008 – March 2009)

ACCOUT TYPE	AMOUNT
<u>Commercial Checking Account Deposits</u>	\$18,200

AUDIT RESULTS IN BRIEF

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

- Non-compliance with District cash management policy and/or ineffective practices.
 - Pre-numbered duplicate cash receipt books were not used.
 - Check requests were not signed to indicate approval of expenditures.
 - Supporting documentation for expenditures was not maintained.
 - Bank reconciliations were not prepared.

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

Achievement

Cooke Elementary was a recipient of the *Skillman Foundation Good Schools Grant* in 2008, with a designation as an *Improving School*. This indicates that they met criteria such as: (1) Show overall improvement in the last two years; (2) Have improved MEAP scores, with 10 –percent increase in two subjects; (3) Have students who are performing at a satisfactory rate in English, math and science.

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AUDIT FINDINGS

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):

- Pre-numbered duplicate cash receipt books were not used.
- Check requests were not signed to indicate approval of expenditures.
- Supporting documentation for expenditures was not maintained.
- Bank reconciliations were not prepared.

Cause

School officials stated that they were unaware of the requirements to use certain forms for cash activity and check requests included in the District’s SAFM.

Effect

Lack of adherence to District policies related to cash receipts and disbursements results in non-standardize procedures that can vary with each school, which can result in processing inefficiencies. In addition, failure to request and approve cash disbursements can result in inappropriate or unauthorized purchases.

Recommendation

The Principal should ensure that all staff members participating in financial transactions are familiar with and 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

Dear Mr. Bailey

This letter is in regards to the audit of Cooke School Report # 09-044. The following steps have been initiated to correct any weaknesses found in our audit.

A pre-numbered duplicate cash receipt book has been purchased for our use.

All checks request forms will be signed.

All Bank reconciliations documents will be prepared and up-to-date.

All supporting documentations will be maintained.

With these safeguards in place we can be more vigilant in our accounting.

A. Anthony Flowers, Principal Cooke

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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