

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-066

REPORT DATE: June, 2009

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**DETROIT PUBLIC SCHOOLS
DOSSIN ELEMENTARY SCHOOL
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BACKGROUND

For School Year 2008 - 2009, 300 students were enrolled at E.J. Dossin Elementary School which has grade levels Pre-Kindergarten thru sixth. Mrs. Linda Porter-King was the Principal and has been serving in this capacity for the past five years. The bookkeeping duties have been performed for the past 15 years by Ms. Beverly Hall, Secretary.

Dossin Elementary School maintains one commercial checking account with Chase Bank. Primary sources of General School Funds include fundraisers, community donations, and district grants (Skillman, Head Start, and Macul). The primary source of District Fund Revenues is the lunchroom collections.

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 example, 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 and District School Funds (July 2008 – March 2009)

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$ 49,854

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,

- Receipts were not recorded in a pre-numbered duplicate receipt book
- Cash receipts were not accurately posted in the ledger
- Disbursements were not approved by the Principal or Assistant Principal
- Supporting documentation for expenditures were not maintained
- Bank reconciliations were not signed by the preparer and/or reviewer
- Bank reconciliations were not prepared

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

Achievement:

Dossin Elementary School 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 improvements over the last two years; (2) Have improved MEAP scores, with a 10-percent increase in two subject areas; (3) Have sufficient parental and community partnerships.

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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)

The following non-compliance issues were noted:

- Receipts were not recorded in a pre-numbered duplicate receipt book.
- Cash receipts were not accurately posted in the ledger:
Revenue from two Frankenmuth fundraisers; October '08 for \$5,125.50 and March '09 for \$1,889.50 were recorded in the ledger as \$5,025.50 and \$1,874.00 respectively. Revenue of \$175 from Golden Touch photo fundraising event was not recorded in the books.
- Disbursements were not approved by the Principal or Assistant Principal.
- Supporting documentation for expenditures were not maintained:

MONTH	CHECK NO.	AMOUNT
October	4561	29.90
November	4566	2,562.75
November	4567	10,143.00
December	4579	450.00

- There was no evidence of Bank reconciliations being reviewed and approved by the Principal.
- Bank reconciliations were not signed or dated by the preparer.
- Bank reconciliations were not prepared for the months of November 2008 thru March 2009.

Cause

School officials stated they were unaware of the District's SAFM and therefore were not aware of certain forms and requirements for cash receipt activity.

Effect

Lack of adherence to District policies can lead to inconsistent practices resulting in processing inefficiencies, inaccuracies and/or misappropriation of funds. Moreover, the lack of documentation for significant expenditures such as the \$10,143 disbursed in check number 4567 coupled with the lack of approval of disbursements raises serious concerns about the legitimacy of the expenditure and whether it was used for other than approved school activities.

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AUDIT FINDINGS (continued)

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 2006-2007.

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 RESPONSE

July 27, 2009

Comments:

1. My secretary/bookkeeper went on medical leave in March and the recording was an oversight as well as not issuing receipts to teachers at that time from the person responsible for that task. In the future there will be two staff members with the proper training on the proper procedure of issuing receipts and recording deposits.
2. Beginning in September all fund raisers will go directly into ledgers for recording before being used for petty cash.

5-7. The KFAL invoice was misplaced and a copy should have been requested. No funds will be disbursed in the future without my signature on the request form and an invoice attached.

A copy of the JB & friends will be faxed to you today.

Beginning this month, all reconciliations will be prepared monthly by the secretary/bookkeeper and signed by the Principal. All disbursements will have an invoice and approval form attached for each check written.

Linda Porter-King
Principal, Dossin School

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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.

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Odell W. Bailey, CIA
Auditor General