

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF THURGOOD MARSHALL ELEMENTARY SCHOOL School Year 2008-09

REPORT NO: 09-135

REPORT DATE: June 30, 2009

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BACKGROUND

For School Year 2008 – 2009, 379 students were enrolled at Thurgood Marshall Elementary School, which has grade levels Pre-Kindergarten through Sixth Grade. Ms. Willye Jean Pearsall was the Principal during this time period and has been serving in this capacity since 2005.

Ms. Laura Hawthorne, Head Secretary, performs the bookkeeping duties and has done so since 2008.

Thurgood Marshall maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include special project funds (i.e. Skillman Good Schools Grant). 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

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SCOPE & METHODOLOGY (continued)

- 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)

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$36,076

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted the control weaknesses related to compliance with District cash management policy. Specifically, receipt numbers were not referenced on deposit slips.

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

Achievement

Thurgood Marshal is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as an Improving School. This indicates that they have met criteria such as: (1) Overall improvements over the last two years; (2) Improved MEAP scores with a 10% increase in two subject areas; and (3) Sufficient parental and community partnerships, etc.

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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.

Receipt numbers were not listed within the ledger or on the deposit slip for referencing.

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, the Principal should 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.

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MANAGEMENT RESPONSE

From: Willye Jean Pearsall, Principal, Thurgood Marshall Elementary School
Date: July 14, 2009
Subject: School Audit Report/Thurgood Marshall Elementary

Please be advised that I am in full agreement with the audit, Report No: 09-135:

a.) "The receipt numbers were not listed within the ledger or on the deposit slip for referencing."

As the principal and leader of Thurgood Marshall Elementary School, I would like to thank your department for assisting me in becoming a more effective financial Leader. As a result of the audit, I have read the "Cash Management section" of the School Administrative Financial Manual 2006-2007. After reading the manual, I fully understand the procedures for cash receipts; including the forms required and the processing.

I have also conference with my secretaries, Mrs. Hawthorne, bookkeeper, and Ms. Powell, membership and payroll secretary, regarding these procedures. We have read and discuss pages 16-21 in the manual and they, too, understand the procedures.

Additionally, all staff involved have downloaded the manual from the intranet and have been provided with the contact information for the Central Accounting Office, that will assist if additional information is needed.


Finally, in September 2010 all staff members will be in-serviced on the procedures for cash receipts and check request.

Educationally,
Willye Pearsall

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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