

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF MCKINNEY DAY TREATMENT CENTER

School Year 2008-09

REPORT NO: 09-141

REPORT DATE: June, 2009

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DETROIT PUBLIC SCHOOLS
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BACKGROUND

For School Year 2008-2009, approximately 65 students were enrolled at McKinney Day Treatment Center School, which has grade levels 9-12. Ms. Tia' Von Moore-Patton was the Principal and has served in this capacity since 2006. Prior to this assignment, she was the Assistant Principal at Crockett Career Technical Center.

Ms. Esther Jackson, Secretary, performs the bookkeeping duties for McKinney Day Treatment Center School. Ms. Jackson has worked in this capacity for the past 32 years.

McKinney Day Treatment Center School maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include fundraising activities, special project funding (for example, Act 18) and donations. 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.

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SCOPE & METHODOLOGY (continued)

- 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.

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> | \$481.00 |

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, no control weaknesses related to compliance with District cash management policy were noted.

Cash Management

- August 2008 through December 2008 bank reconciliation was not completed,

Banking Process

- Check stock is not adequately safeguarded.

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

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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.

The following non-compliance issues were noted:

- The August 2008 through December 2008 bank reconciliation was not completed.

Cause

School officials could not immediately locate bank statement for the period in question.

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."

The Principal should ensure check stock and any cash receipts are adequately safeguarded until deposited by procuring a safe.

2. Finding – Assets Not Adequately Safeguarded:

The "School Administrative Financial Manual 2006 -07:" (SAFM) governs safeguarding of cash receipts.

Check stock was not adequately safeguarded by being maintained in a desk drawer.

Cause

Officials stated the school is not equipped with a vault or safe to properly safeguard receipts

Effect

Lack of adherence to District policies and best practices could result in financial losses due to theft.

Recommendation

The Principal should take the necessary actions to ensure assets are properly safeguarded by procuring a safe or have a safe transferred from a recently closed school.

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MANAGEMENT RESPONSE

Management Response provided by Ms. Tia' Von Moore-Patton, Principal.

Good Morning, As requested I am submitting explanations to the findings from the audit done at Johnson McKinney Day Treatment.

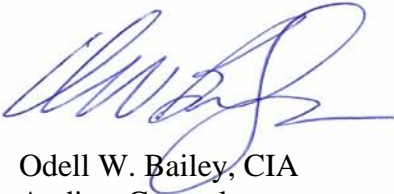
1. The August 2008- December 2008 bank reconciliation wasn't completed when the auditor came due to our building being just moved and we hadn't received mail because of the move, so we had the bank fax the statement because they wouldn't mail them again). - However; We did receive them via fax from Comerica and they were subsequently given to Mr.Rashawn Johnson

2. Safeguarding of checks- The building that we moved into does not have a safe, therefore we locked the checks in the desk that the secretary and myself only have a key. It is not the school principal responsibility for safes it is the school district. If you need further information please email me. I am no longer at Johnson McKinney.

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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

A handwritten signature in blue ink, appearing to read 'Odell W. Bailey', is positioned above the printed name.

Odell W. Bailey, CIA
Auditor General