

Detroit Public Schools
Office of the Auditor General



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

REPORT NO: 09-026

REPORT DATE: June, 2009

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**DETROIT PUBLIC SCHOOLS
CARLETON ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
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BACKGROUND

For School Year 2008 – 2009, approximately 454 students were enrolled at Carleton Elementary School, which has grade levels Pre-Kindergarten through Fifth. Ms. Rachel Andersen was the Principal during this time period and has been serving in this capacity for two years.

Ms. Sharon McCullum, Secretary, performs the bookkeeping duties and has done so for eight years.

Carleton Elementary maintains a commercial checking account with Chase Bank. Primary sources of General School Funds include student activities, fundraising activities and special project funds (i.e., Skillman 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.
- 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.

**DETROIT PUBLIC SCHOOLS
CARLETON ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-026**

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 – March2009)

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$17,827

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:

- Expenditures were made from activity accounts with negative balances that is, funds were not available for expenditures.
- Lack of supporting documentation for expenditures.
- Sales tax was paid on expenditures.
- Financial documentation was not available for review. (i.e., pre-numbered duplicate receipt form books).

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

Achievement

Carleton Elementary is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as an Aspiring School. This indicates that they have met criteria such as: (1) Improved MEAP scores with a 5 percent increase over the prior year; (2) Have an average performance in English, math and Science; and (3) Sufficient parental and community partnerships, etc.

**DETROIT PUBLIC SCHOOLS
CARLETON ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-026**

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:

- Expenditures were made from activity accounts with negative balances that is, funds were not available for expenditures.
- Lack of supporting documentation for expenditures.
- Sales tax was paid on expenditures.
- Financial documentation was not available for review. (i.e., pre-numbered duplicate receipt form books).

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, 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.

**DETROIT PUBLIC SCHOOLS
CARLETON ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-026**

MANAGEMENT RESPONSE

Management response provided by Rachel Andersen, Principal:

Both Ms. McCullum – who handles the books for the school – and I will review the policies on cash management activities as detailed in the SAFM 2006-07. We will also investigate when the next training is available on this and attend. We have located where the information is on the intranet, as well as contact information for Central Accounting Office personnel that can assist us. As for the findings that have been bulleted above, we had supporting documentation and it was available for review. We will, in the future, be more careful about the sales tax issue and use the tax ID number when appropriate.

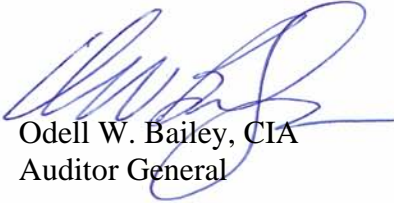
Office of the Auditor General Response:

Documentation was not provided when requested during the audit.

**DETROIT PUBLIC SCHOOLS
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FINANCIAL RELATED AUDIT
REPORT NO. 09-026**

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