

# Detroit Public Schools Office of the Auditor General



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## FINANCIAL RELATED AUDIT OF CERVENY MIDDLE SCHOOL School Year 2008-09

**REPORT NO: 09-031**

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**REPORT DATE: June 30, 2009**

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**DETROIT PUBLIC SCHOOLS  
EDWARD CERVENY MIDDLE SCHOOL  
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**BACKGROUND**

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For School year 2008 - 2009, 443 students were enrolled at Edward Cerveney Middle School, which has Kindergarten through eighth grade. Ms. Denise Connelly Booker is the current Principal and has been serving in that capacity since November 2008. The bookkeeping duties have been performed for the past 2 years by Ms. Kimberly Moore, Secretary. Mr. Greg Garber, Curriculum Leader assists Ms. Moore in the monthly reconciliation process.

Cerveney Middle School maintains a commercial checking account with Chase Bank. Primary sources of General School Funds include fundraising activities, vending machine sales and school field trips. Sources of District Fund Revenues include Food Services (i.e., lunchroom).

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**AUDIT OBJECTIVES**

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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.

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**SCOPE & METHODOLOGY**

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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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REPORT NO. 09-031**

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**SCOPE & METHODOLOGY (continued)**

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- 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.

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**FINANCIAL SUMMARY**

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**Table 1.1: Cash Receipts from General and District School Funds (July 2008 – March 2009)**

<b>ACCOUNT TYPE</b>	<b>AMOUNT</b>
<u>Commercial Checking Deposits</u>	\$ 7,572

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**AUDIT RESULTS IN BRIEF**

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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
- Deposits were not consistently made in a timely manner
- Disbursements were not approved by the Principal or Assistant Principal
- 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.

**DETROIT PUBLIC SCHOOLS  
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FINANCIAL AUDIT  
REPORT NO. 09-031**

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**AUDIT FINDINGS**

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**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
- Deposits were not consistently made in a timely manner
- Disbursements were not approved by the Principal or Assistant Principal
- Bank reconciliations were not signed by the preparer and/or reviewer
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**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.

**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.

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FINANCIAL AUDIT  
REPORT NO. 09-031**

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**MANAGEMENT RESPONSE**

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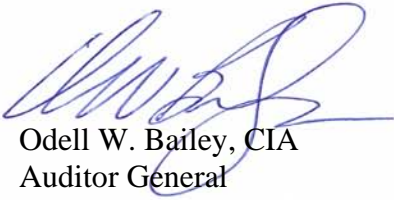
Management Responses provided by Ms. Denise Connelly Booker:

In order to be in compliance with the District policies, it will be my responsibility to ensure that the staff who is responsible for the financial matters of the school are trained and updated on a regular basis on the polices and procedures of their job. After reading this Audit Report, I now have knowledge of policies and procedures I previously was aware of. I will also monitor more closely the person assigned to do this job.

**DETROIT PUBLIC SCHOOLS  
EDWARD CERVENY MIDDLE SCHOOL  
FINANCIAL AUDIT  
REPORT NO. 09-031**

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