

Detroit Public Schools
Office of the Auditor General



FINANCIAL RELATED AUDIT
OF
CLIPPERT MIDDLE SCHOOL
School Year 2008-09

REPORT NO: 09-038

REPORT DATE: June, 2009

**DETROIT PUBLIC SCHOOLS
CLIPPERT MIDDLE SCHOOL
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BACKGROUND

For the 2008-2009 school year, approximately 385 students were enrolled at Clippert Middle School, which has grade levels fifth through eighth. Ms. Kim Gonzolez was the Principal during this time period and has been serving in this capacity since 2006. Previously, she was an Assistant Principal at Western International High School from 2002 - 2006.

Ms. Cheryl Chapman, Office Manager/Bookkeeper, performs the bookkeeping duties and has done so since 2003.

Clippert Middle School maintains one commercial checking account at Comerica Bank. Primary sources of General School Funds include student activities, corporate donations (e.g., Michigan Human Council) and fundraisers. Sources of District Fund Revenues include Food Services (i.e., lunchroom & summer school).

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 School and District Funds (July 2008 – March 2009)

ACCOUT TYPE	AMOUNT
<u>Commercial Checking Account Deposits</u>	\$13,985

AUDIT RESULTS IN BRIEF

Based on our audit of the Clippert Middle School cash management process, we noted control weaknesses related to stale dated checks.

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

AUDIT FINDINGS

1. Finding - School Administrative Financial Manual Non-Compliance:

The following “School Administrative Financial Manual 2006 -07” (SAFM) non-compliance issue was noted:

Stale dated checks were included as outstanding on Bank Reconciliations. The checks were dated September 2007 and February 2008.

Cause

School officials did not comply with SAFM, as such bank reconciliations had not been prepared since September 2008.

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AUDIT FINDINGS (continued)

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.

MANAGEMENT RESPONSE

Odell W. Bailey
Auditor General
Detroit Public Schools

Dear Mr. Bailey:

The sole finding for Clippert was the existence of two outstanding "stale dated" checks from September, 2007 and February, 2008. A Board approved vendor was paid through the general budget to handle Clippert's bookkeeping for the 2007-2008 school year. The vendor was Haynes, Davis and Maufus, and they were charged with ensuring the accuracy of the books. It is now apparent that they were not properly doing the job for which the district hired them.

For the 2008-2009 school year, I budgeted for a different bookkeeping vendor. The Office of Contracting and Procurement never approved that contract, and we had never done bank reconciliations before. To complicate matters, Ms. Chapman, the Clippert's office manager/bookkeeper was out on a medical leave for several months beginning in October.

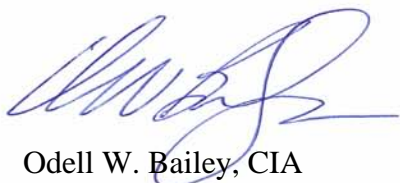
We have corrected the problems found in the audit. Thank you for assisting us. We will continue to work hard to make sure bookkeeping is accurate.

Sincerely,
Kim Gonzalez
Kim Gonzalez
Principal
Clippert Academy

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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