

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-041

RELEASE DATE: June 30, 2009

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COFFEY MIDDLE SCHOOL
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BACKGROUND

For the 2008-2009 School Year, approximately 440 students were enrolled at Coffey Middle School, which has grade levels Kindergarten through Eighth. Ms. Omega Mostyn was the Principal during this time period and has been serving in that capacity since July, 2006.

Ms. Amanda Grant, Clerical III, performed the bookkeeping duties and has been doing so since 2007.

Coffey Middle School maintains one commercial checking account at Chase Bank. Primary sources of General School Funds are from student activities (i.e., field trips) and fundraising activities. 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.
- 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

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

ACCOU TYPE	AMOUNT
<u>Commercial Checking Account Deposits</u>	\$6,081

AUDIT RESULTS IN BRIEF

Based on our audit of the Coffey Middle School cash management process, we noted control weaknesses related to cash receipts, cash disbursements, and bank reconciliations:

- Non-compliance with District cash management policy and/or ineffective practices.
 - Pre-numbered duplicate cash receipt books were not used.
 - Pre-numbered duplicate receipt form numbers not recorded in ledger.
 - Multiple receipt books were simultaneously used during the period.
 - Check requests are not used to document the approval of expenditures.
 - Bank reconciliations included unresolved differences.
 - Bank reconciliations were not signed by the preparer and approver to indicate review

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 was noted during the test of compliance with the “School Administrative Financial Manual 2006 -07” (SAFM):

- Pre-numbered duplicate cash receipt books were not used.
- Pre-numbered duplicate receipt form numbers not recorded in ledger.
- Multiple receipt books were simultaneously used during the period.
- Check requests are not used to document the approval of expenditures.
- Bank reconciliations included unresolved differences.
- Bank reconciliations were not signed by the preparer and approver to indicate review

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AUDIT FINDINGS (continued)

Cause

School officials stated that they were unaware of the District's SAFM requirements to use certain forms for cash activity and check requests.

Effect

Lack of adherence to District policies related to cash receipts and disbursements results in non-standardize procedures that can vary with each school, which can result in processing inefficiencies. In addition, failure to request and approve cash disbursements can result in inappropriate or unauthorized purchases.

Recommendation

The Principal should ensure that all staff members participating in financial transactions are familiar with and 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 polices 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

Management Responses provided by Omega Mostyn, Principal:

**Coffey Middle School
Financial Audit Corrective Action Plan
July 2, 2009**

***All recommendation given by the auditor will be followed:**

1. **Pre-numbered duplicate cash receipt books were used.** Am I concluding that the auditor, who did not share any findings with me, is suggesting that the receipt books were not used for **every** transaction; henceforth, we will ensure that the receipt books are used for every transaction.

2. **Pre-numbered duplicate receipt form numbers were recorded in the ledger.** Am I concluding that they auditor, who did not share any findings with me, is suggesting that all receipt form numbers were not recorded for **every** transaction;

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henceforth, we will ensure that all duplicate receipt form numbers are recorded in the ledger for every transaction.


3. All new/unused receipt books will be securely sealed until the necessary time for usage to avoid using more than one book, simultaneously.
4. A check request form has been created and will be used to document all approval of expenditures.
5. **The Principal will follow the auditor's recommendations.**
 - The principal will ensure that all staff members participating in financial transactions are familiar with and trained on District policy for cash management activities as detailed in the "School Administrative Financial Manual 2006-2007.
 - The principal will 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
6. All Bank Reconciliations will be discussed, reviewed and signed by the principal, monthly, or more, as needed.

Submitted by Omega C. Mostyn
Principal
July 2, 2009

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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