

**Detroit Public Schools**  
**Office of Auditor General**



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**FINANCIAL RELATED AUDIT**  
**OF**  
**COURTIS ELEMENTARY SCHOOL**  
**School Year 2008-09**

**REPORT NO: 09-048**

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**REPORT DATE: June 2009**

**DETROIT PUBLIC SCHOOLS  
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FINANCIAL RELATED AUDIT  
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**BACKGROUND**

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For the 2008-2009 school year, there were approximately 292 students enrolled at Courtis Elementary School, which has grade levels Kindergarten through eight. Mr. Walter Stokely was the Principal during this time period and has been serving in that capacity since July 1, 2000. He has been on medical leave since February 2009. Ms. Catrina Jones has served as acting Principal since this time. She has served as Curriculum Coordinator since 2003.

Ms. Bettye Johnson, Head Secretary, performs the bookkeeping functions and has done so since 2001.

Courtis Elementary maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include student activities, fundraising activities and special project funds (e.g., Skillman Grant). 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.

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**SCOPE & METHODOLOGY (continued)**

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- 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**

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

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Account Deposits</u>	\$21,057

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**AUDIT RESULTS IN BRIEF**

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Based on our audit of the Curtis Elementary 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
  - Availability of funds was not verified before disbursements were made,
  - Payee or amount not documented on checks and/or check stubs before mailed/distributed,
  - Bank reconciliations were not signed or dated by the Preparer or the Reviewer,
- Checks issued with incomplete payee and/or amount,
- Inaccurate/ Incomplete deposit slip data,
- Petty cash fund maintained without appropriate supporting documentation, and
- Improper cash receipt and expenditure process, related to athletic games.

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

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**AUDIT RESULTS IN BRIEF** (continued)

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Achievement:

Detroit School of Arts was a recipient of the *Skillman Foundation Good Schools Grant* in 2008, with a designation as an Aspiring School. This indicates that they met criteria such as: (1) Close to becoming a High Performing, or Improving school; (2) Improved MEAP scores, with a 5 percent increase over the previous year; (3) Average performance in English, math, and science.

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**AUDIT FINDINGS**

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

The “School Administrative Financial Manual 2006 -07” (SAFM) governs the cash management process.

The following non-compliance issues were noted:

- Availability of funds was not verified before disbursements were made that is, disbursements caused or increased a negative balance condition.
- Supporting documentation for expenditures was not maintained.
- Bank reconciliations were not signed by the Preparer and Reviewer.

**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 2006-07”

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.

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**AUDIT FINDINGS (continued)**

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**2. Finding: Authorization of Blank Checks:**

The “School Administrative Financial Manual 2006-07:” (SAFM) requires checks to be fully completed and signed by two authorized signatories, prior to issuance.

The school issued and maintained checks that were signed by one or more authorized signers, in advance of receiving check requests.

**Cause**

Lack of adherence to District policy regarding check issuance.

**Effect**

Checks can be cashed by unauthorized individuals and/or for unauthorized amounts.

**Recommendation**

The Principal should ensure that all checks are signed only after the payee and amount are documented on the face of the check.

**3. Finding – Inaccurate/Incomplete Deposit Slip Documentation:**

The “School Administrative Financial Manual 2006 -07:” (SAFM) governs the banking process:

The total of pre-numbered duplicate receipt forms, since the last deposit, did not always agree with the amounts recorded on deposit tickets.

**Cause**

School officials did not comply with District policies and best practices.

**Effect**

Incomplete and /or inaccurate records impacts the ability to determine whether all receipts collected were deposited into the bank account.

**Recommendation**

The Principal should require all cash receipt numbers and amounts to be accurately noted on deposit slips in order to ensure that all funds received by the school are deposited into the school account.

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**AUDIT FINDINGS (continued)**

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**4. Finding – Petty Cash Fund Maintained without Appropriate Financial Records:**

The “School Administrative Financial Manual 2006 -07:” (SAFM) governs the maintenance of petty cash funds including required documentation:

The following documentation was not maintained:

- Approval for reimbursements from the fund, and
- Supporting documentation for expenditures from the fund.

**Cause**

School officials did not comply with District policies. They stated they were aware of the District’s SAFM, however they had limited knowledge of the requirements to use certain forms for cash activities.

**Effect**

The school funds are more susceptible to fraudulent transactions when there is insufficient recordkeeping and supporting documentation.

**Recommendation**

The Principal should ensure that all appropriate records related to petty cash activity are maintained in compliance with District policy and good business practices.

**5. Finding - Inappropriate Expenditure Process for Athletic Games:**

The “School Administrative Financial Manual 2006 -07” (SAFM) requires expenses to be paid by issuing a check:

The school’s cash management practice was to pay basketball game expenses from sales proceeds, rather than issuing a check. The remaining cash receipts were then deposited to the bank account. In addition, cash receipts and disbursements were not recorded properly in the school ledger nor were pre-numbered duplicate copy receipt books used.

**Cause**

School officials did not comply with District policies.

**Effect**

Financial records were incomplete and basketball receipts were susceptible to misuse and/or misappropriation.

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**AUDIT FINDINGS (continued)**

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**Recommendation**

The Principal should ensure that all:

- Cash receipts (i.e., basketball ticket and concessions sales) are submitted to the bookkeeper and documented on pre-numbered duplicate receipt forms,
- Cash receipts and disbursements are accurately recorded in the school ledger, and
- Expense payments are made with school checks (e.g., payments to officials, ticket takers, ticket sellers and the cost of concession)

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**MANAGEMENT RESPONSE**

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***MEMORANDUM***

**TO:** Mr. Odell Bailey, General Auditor

**FROM:** Derrick R. Coleman, Assistant Superintendent

**DATE:** June 29, 2009

**SUBJECT:** Courtis Elementary School Financial Related Audit

This communication is written as a response to the audit findings on Courtis School. Principal Walter Stokely has been on Medical Leave since February 9, 2009 and there was no available administrator to place in his stead during the leave. Catrina Jones, Curriculum Coordinator served as the building administrator during his absence.

The audit results in brief discovered that Courtis has control weaknesses related to cash receipts, cash disbursements, and bank reconciliations. The process of budgeting for Detroit Public Schools was established by the (DPS) Schools Administrative Financial Manual in (2006). Board records indicate that many principals have not been in-serviced on the SAFM manual.

Courtis Elementary School has been identified as a school closure and the students will be relocated to Noble School. Principal Walter Stokely and Curriculum Coordinator Catrina Jones have received notice of non renewal. In the event that Principal Walter Stokely is reassigned to another Detroit Public School, the following actions are recommended respective to the findings outlined in the audit review.

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**MANAGEMENT RESPONSE (continued)**

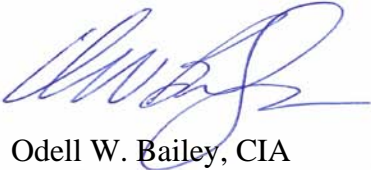
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- **School Administrative Financial Manual Non-Compliance:**
  - Ensure that all staff directly responsible for financial transactions is trained on the 2006-2007 Financial Management District Policy for cash management activities.
  
- **Authorization of Blank Checks**
  - Ensure that all checks are signed only after the payee and amount are documented on the face of the check.
  
- **Inaccurate/Incomplete Deposit Slip Documentation**
  - Require all cash receipt numbers and amounts to be accurately noted on the deposit slips in order to ensure that all funds received by the school are deposited into the school account.
  
- **Petty Cash Fund Maintained without Appropriate Financial Records**
  - Ensure that all appropriate records related to petty cash activity are maintained in compliance with District policy and good business practices.
  
- **Inappropriate Expenditure Process for Athletic Games**
  - Ensure that all cash receipts are submitted to the bookkeeper and documented on pre-numbered duplicate receipt forms.
  - Cash receipts and disbursements are accurately recorded in the school ledger, and
  - Expense payments are made with school checks.

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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



Odell W. Bailey, CIA  
Auditor General