

# Detroit Public Schools Office of the Auditor General



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## FINANCIAL RELATED AUDIT OF FLEMING ELEMENTARY SCHOOL School Year 2008-09

**REPORT NO: 09-083**

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**REPORT DATE: June 30, 2009**

**DETROIT PUBLIC SCHOOLS  
GREENFIELD UNION SCHOOL  
FINANCIAL RELATED AUDIT  
REPORT NO. 09-92**

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**BACKGROUND**

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For School Year 2008-2009, approximately 646 students were enrolled at Fleming Elementary School, which has grade levels Pre-Kindergarten through Fifth. Mr. Ronnie Sims was the Principal during this time period and has been serving in that capacity since 2005. Ms. Delphona Tilmon, Clerical III/Bookkeeper, performs the bookkeeping duties and has done so since 1999.

Fleming Elementary School maintains one commercial checking account at Comerica Bank. Primary sources of General School Funds include student activities (e.g., senior dues, yearbook), special project funding, and fundraising activities (e.g., leukemia drive). 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 and District School Funds (July 2008 – March 2009)**

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$20,760

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**AUDIT RESULTS IN BRIEF**

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

- Non-compliance with District cash management policy:
  - Bank reconciliations were not signed by the preparer and reviewer.
  - Stale dated checks were included as outstanding on bank reconciliations.
  - Multiple deposit books were used.
  - Checks were not written sequentially.
- Financial records were not available for review.

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

Achievement:

Fleming Elementary School 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 function within the District.

The following non-compliance issues were noted:

- Bank reconciliations were not signed by the preparer and reviewer.
- Stale dated checks were included as outstanding on bank reconciliations.
- Multiple deposit books were used.
- Checks were not written sequentially.

**Cause**

There was a lack of adherence to District policies. School officials stated that they were unaware of the District’s SAFM and therefore were not aware of specific requirements.

**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.

**2. Finding – Financial Records Not Available for Review :**

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

Financial records prior to September 2008 were not available for review due to a theft of the computer where financial data was stored.

**Cause**

Lack of good business practices requiring computer data to be backed-up on a routine basis, as well as inadequate retention of hardcopy documentation.

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**AUDIT FINDINGS (continued)**

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**Effect**

Inadequate safeguarding of financial data can result in the inability to determine proper accountability of financial transactions including appropriateness, accuracy, timely processing, etc.

**Recommendation**

Electronic records should be saved/backed-up periodically to ensure continuity of business in the case of loss of data due to such things as fire, flood or even theft.

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**MANAGEMENT RESPONSE**

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**TO** : Odell W. Bailey, Auditor General Detroit Public Schools  
**FROM** : Ronnie Sims, Fleming Academy Principal  
**DATE** : August 19, 2009  
**SUBJECT** : **Written Response to Audit Findings 2008-2009**

*Identified Compliance and Control Weaknesses:*

1. Bank Reconciliations were not signed by the preparer and reviewer
2. Six stale dated checks were included as outstanding on bank reconciliations
3. Multiple deposit books were used
4. Checks were not written sequentially

**Corrective Actions:**

- **All staff responsible for financial transactions will be trained on District policy for cash management activities, as detailed in the “School Administrative Financial Manual 2006-07”.**
- All individuals involved in the cash management process will be made aware of where current District policies are stored on the intranet as well as appropriate contact information for those Central Office Accounting personnel responsible for assisting in the accounting process.
- Electronic records will be save/backed up periodically to ensure continuity of business in the case of loss of data due to such things as fire, flood or even theft. A locked and secured cabinet will be placed in the Principal’s office to contain this information.
- A “Voucher System” will be implemented to assure that multiple check books “will not” be used and that checks “will be” used sequentially. This system will provide checks and balances and assure that:
  1. reconciliations are properly performed to address stale dated checks and
  2. proper signatures by the preparer and reviewer are included on the check requests and reconciliations.

Checks must be requested in advance. Checks will be written and distributed every other Tuesday. All supporting documentation will be attached and stored in a locked cabinet within a secured area.

Feel free to contact me if you have any questions or concerns. Thanks for your support!

*cc: Derrick Coleman, Regional Superintendent*

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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