

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF GUYTON ELEMENTARY SCHOOL School Year 2008-09

REPORT NO: 09-093

REPORT DATE: June 30, 2009

Fisher Building · 3011 West Grand Boulevard · Suite 601A · Detroit, Michigan 48202

Office: (313) 873-7685 · Fax: (313) 873-7028

**DETROIT PUBLIC SCHOOLS
GUYTON ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-093**

BACKGROUND

For School Year 2008 - 2009, approximately 295 students were enrolled at Guyton Elementary School, which has grade levels Pre-Kindergarten through sixth. Ms. Debra Kelly-McGill was the Principal during this time period and has been serving in that capacity since 2005.

Ms. Doris Brooks, Clerical Series III, performs the bookkeeping duties and has done so since 1986.

Guyton Elementary School maintains one commercial checking account at Chase Bank. Primary sources of General School Funds include donations from community organizations, (e.g., Exxon Mobile & National Association of Ministers' Wives). 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 example, lunchroom deposits.

**DETROIT PUBLIC SCHOOLS
GUYTON ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-093**

SCOPE & METHODOLOGY (continued)

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 and District School Funds (July 2008 – March 2009)

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Account Deposits</u>	\$5,474

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted the following control weaknesses:

- Non-compliance with District cash management policy.
 - Supporting documentation for expenditures was not maintained.
 - Bank reconciliations were not signed by the preparer and reviewer
- Petty cash fund maintained without appropriate financial records.

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

**DETROIT PUBLIC SCHOOLS
GUYTON ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-093**

AUDIT FINDINGS

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:

- Supporting documentation for expenditures was not maintained.
- Bank reconciliations were not signed by the preparer and reviewer

Cause

Lack of adherence to existing District policies (i.e., SAFM.).

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 – 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
- Receipts retained as supporting documentation were not always accurate i.e., there were instances where the supporting documentation total exceeded the total amount disbursed from the fund.

Cause

School officials stated they were aware of the District’s SAFM; however they only have limited knowledge of the requirements to use certain forms for cash activities and thus did not fully comply with the policies.

**DETROIT PUBLIC SCHOOLS
GUYTON ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-093**

AUDIT FINDINGS (continued)

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.

**DETROIT PUBLIC SCHOOLS
GUYTON ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-093**

MANAGEMENT RESPONSE

MEMORANDUM

TO: Mr. Odell Bailey, General Auditor

FROM: Derrick R. Coleman, Assistant Superintendent

DATE: July 13, 2009

SUBJECT: Guyton Elementary School Financial Related Audit

For School Year 2008 – 2009, Ms. Debra Kelly-McGill was the Principal during this time period and had been serving in that capacity since 2005. Guyton has been identified as a school closure.

The audit results in brief discovered that Guyton Elementary School 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.

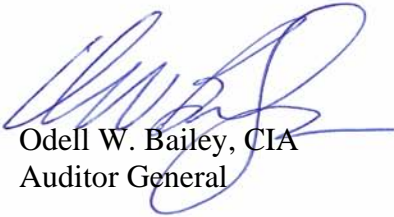
Recommendation

Principal Debra Kelly-McGill has retired and is no longer with the district. In the event she attains employment within the district, she shall ensure that all appropriate records related to petty cash activity are maintained in compliance with District policy and good business practice. In addition, she shall ensure that all staff responsible for financial transactions, are trained according to the District policy for cash management activities, as detailed in the “School Administrative Financial Manual 2006-07.

**DETROIT PUBLIC SCHOOLS
GUYTON ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-093**

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