

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF JOHN MARSHALL ELEMENTARY SCHOOL

School Year 2008-09

REPORT NO: 09-134

REPORT DATE: June, 2009

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

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

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BACKGROUND

For School Year 2008 – 2009, approximately 454 students were enrolled at John Marshall Elementary School, which has grade levels Pre-Kindergarten through Fifth Grade. Ms. Cleo Moody was the Principal during this time period and has been serving in this capacity since 2008.

Ms. Yvette Edwards, Head Secretary, performs the bookkeeping duties and has done so since 2008.

John Marshall maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include student 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

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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 and District School Funds (July 2008 – March 2009)

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$8,453

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted the control weaknesses related to compliance with District cash management policy. Specifically,

The following non-compliance issues were noted:

- Receipted checks were not restrictively endorsed.
- Monthly bank reconciliations were not prepared and forwarded to Central Accounting
- Receipt numbers were not referenced on deposit slips

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

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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:

- Based on the school official and our review of the records, checks are not being restrictively endorsed upon receipt.
- Bank reconciliations had not been completed and forwarded to the Office of Accounting for the period of September 2008 through March 2009.
- Receipt numbers were not listed within the ledger or on the deposit slip for referencing.

Cause

The school official stated that she was unaware of the District’s SAFM and therefore was not aware of the requirement to use certain forms for cash receipts and check requests.

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 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.

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MANAGEMENT RESPONSE

Management Response provided by Ms. Cleo Moody, Principal:

- *Receipted checks are not restrictively endorsed:*

Receipted checks will be restrictively endorsed “for deposit only” by authorized staff according to the School Administrative Financial Manual (SAFM) 2006-2007.
- *Monthly bank reconciliations were not prepared and forwarded to Central Accounting:*
 1. Reconciliations are now submitted on a timely basis and forwarded to Central Accounting based on instructions provided in the School Administrative Financial Manual (SAFM) 2006-2007.
 2. District prepared reconciliation and ledger forms have been provided and utilized by authorized staff.
- *Receipt numbers were not referenced on deposit slips:*
 1. A pre-numbered duplicate receipt booklet and ledger have been purchased in order to reference receipts.

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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