

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-146

REPORT DATE: June, 2009

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**DETROIT PUBLIC SCHOOLS
NEINAS ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
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BACKGROUND

For School Year 2008 – 2009, approximately 403 students enrolled at Neinas Elementary School, which has grade levels Kindergarten thru fifth grade. Ms. Alberta Lyons was the Principal during this time and has been serving in that capacity for four years. The bookkeeping duties have been performed for the past 16 years by Ms. Judith Welch, Secretary. The bank reconciliations became the responsibility of Ms. Welch for this current year; with the aid of the bookkeeper from Columbus Elementary to complete the current years' reconciliations.

Neinas Elementary School maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include fundraising activities, field trips and community donations. 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 example, 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>	\$7,303

AUDIT RESULTS IN BRIEF

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

- Supporting documentation for expenditures was not maintained
- Checks were not signed by two authorized signers
- Bank reconciliations were not signed by the preparer and/or reviewer
- Bank reconciliations were not prepared

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:

- Supporting documentation for expenditures were not maintained
- Checks were not signed by two authorized signers
- Bank reconciliations were not signed by the preparer and/or reviewer
- Bank reconciliations were not prepared

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 expenditures 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, 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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MANAGEMENT RESPONSE

NEINAS ELEMENTARY SCHOOL
6021 MCMILLAN
DETROIT, MI 48209

MANAGEMENT REPOSENSE

It is our goal to comply with all of the policies and procedures set for by the district. The following steps are in place to assure that these violations will no longer occur:

- 1. The AC-4 Forms will be used and receipts will be kept for all expenditures**
- 2. All checks will be endorsed by two approved signers**
- 3. Principal and Preparers signature on all bank reconciliation sheets**
- 4. All Bank reconciliations have been up brought up to date**

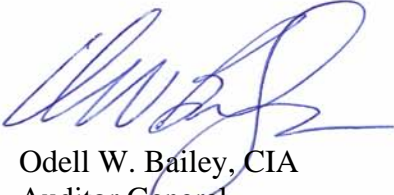
Sincerely,

Alberta V Lyons
Principal

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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