

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-147

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
NICHOLS ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-147**

BACKGROUND

For School Year 2008 – 2009, 323 students were enrolled at Nichols Elementary, which has grade levels Kindergarten through Eighth. Dr. Granada Peterson was the Principal during this time period and has been serving in this capacity since 1993.

Ms. Sabrina Williams, Head Secretary, performs the bookkeeping duties and has done so since 2008.

Nichols Elementary 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.

**DETROIT PUBLIC SCHOOLS
NICHOLS ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-147**

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>	\$26,445

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, we noted a stale-dated check listed as outstanding.

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

Achievement:

Nichols 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.

**DETROIT PUBLIC SCHOOLS
NICHOLS ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-147**

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. Specifically, during our review we noted a stale-dated check, **check number 2118 -dated July 2008**, remained listed as outstanding.

Cause

School officials stated they were unaware of the District’s SAFM and therefore were not aware of certain requirements for cash disbursement 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.

**DETROIT PUBLIC SCHOOLS
NICHOLS ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-147**

MANAGEMENT RESPONSE

Management Response provided by Dr. Granada Peterson, Principal.

The principal will ensure that the designated staff at Nichols E/M School is trained on the District policy for cash management activities and obtain a hard copy of the “School Administrative Financial Manual 2006 – 2007”.

Nichols appreciates this support towards compliance and fiscal accountability. We concur with the audit findings and have taken the following corrective actions:

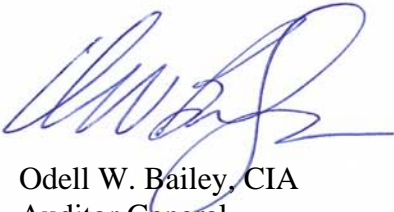
Audit finding – Stale dated check

At the request of the auditors, the stale dated check in the amount of \$50.00 has been canceled. Check was written on December 4, 2007 to Metropolitan Reading Conferences for staff attending a workshop held in February 2008.

**DETROIT PUBLIC SCHOOLS
NICHOLS ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-147**

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