Detroit Public Schools
Office of the Auditor General

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

REPORT NO: 09-156

REPORT DATE: June 30, 2009

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DETROIT PUBLIC SCHOOLS
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BACKGROUND

For School Year 2008 – 2009, 390 students were enrolled at Pasteur Elementary School, which has grade levels Pre-Kindergarten through Sixth Grade. Ms. Sharon Lawson was the Principal during this time period and has been serving in this capacity since 2007.

Ms.Weatherspoon, an outside contractor, performs the bookkeeping duties and has done so since 2005.

Pasteur maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include special project funds (i.e., Skillman Good Schools Grant). 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.

   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.
3) 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.

SCOPE & METHODOLOGY (continued)

4) 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.

5) 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
Commercial Checking Deposits	$25,045

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:

- Financial records were not available for review:

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

Achievement

Pasteur is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as an Improving School. This indicates that they have met criteria such as: (1) Overall improvements over the last two years; (2) Improved MEAP scores with a 10% increase in two subject areas; and (3) Sufficient parental and community partnerships, etc.

AUDIT FINDINGS

1. Finding – Financial records were not available for review:

The "School Administrative Financial Manual 2006 -07:" (SAFM) governs the requirements for the availability of financial records.

Some of the school's financial records were not available for review. The school hired a third party Contractor to perform bookkeeping services.

Cause

A third party bookkeeper removed the financial records from the school premises'.

Effect

Lack of adherence to District policies and best practices could result in loss of financial information.

Recommendation

The Principal should take the necessary actions to ensure financial information; including ledgers are properly safeguarded and not removed from site.

MANAGEMENT RESPONSE

Management response provided by Sharon M. Lawson, Principal (new principal).

The principal will take the necessary action to ensure financial information; including ledgers are promptly safe guarded and not removed from site.

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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.

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Odell W. Bailey, CIA
Auditor General