

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-179

REPORT DATE: June, 2009

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**DETROIT PUBLIC SCHOOLS
TRIX ELEMENTARY SCHOOL
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BACKGROUND

For School Year 2008 – 2009, 355 students were enrolled at Trix Elementary, which has grade levels Kindergarten through Eighth. Mr. Wesley Ganson was the Principal during this time period and has been serving in this capacity since 2003.

Ms. Coretta Billy is the Membership Secretary, performs the bookkeeping duties since 1999.

Trix Elementary maintains a commercial checking account with Chase Bank. Primary sources of General School Funds include student activities, special project funds (i.e., Skillman 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.
- 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 lunchroom deposits.

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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 Deposits</u>	\$12,645

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,

- Non-compliance with District cash management policy and/or ineffective practices
 - A check request form was not used to approve disbursements
 - Bank reconciliations were not forwarded timely to the Office of Central Accounting.
- Conflict of Interest

Achievement:

Trix Elementary 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.

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

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AUDIT RESULTS IN BRIEF (continued)

1. Finding - School Administrative Financial Manual Non-Compliance:

The “School Administrative Financial Manual 2006 -07” (SAFM) governs the cash management process.

The following non-compliance issues were noted:

- A check request form is not used to document formal approval of disbursements
- Bank reconciliations are completed; however, they are not forwarded to the Office of Central Accounting by the 15th of each month as required.

Cause

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

2. Finding – Conflict of Interest

The “School Administrative Financial Manual 2006 -07:” (SAFM) governs safeguarding of cash receipts.

A teacher at the school operates the vending machines at the school

Cause

School officials were not aware of the appearance of a conflict of interest or the existence of a District-wide contract to provide vending services to schools.

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AUDIT FINDINGS (continued)

Effect

Lack of knowledge and adherence to District policies and best practices could result in financial losses to the District, but also creates an image of conflicting interest on the part of the teacher and school.

Recommendation

The Principal should take the necessary actions to suspend current vending services and ensure future services are coordinated by the Contract and Procurement Office.

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MANAGEMENT RESPONSE

Trix Elementary/Middle School

13700 Bringard
Detroit, MI 48205
(313)852-8644
(313) 852-8655 Fax

July 17, 2009

To Mr. Odell Bailey,

My name is Denise Booker and I am the new Principal of Trix Elementary/Middle School. I have read the financial audit conducted at Trix, and because I was not the Principal at the time of the audit I am unable to explain the non-compliant issues that are addressed in the report.

It will be my job, as the new leadership, to make changes to correct the errors that have occurred at Trix. I will clearly state both verbally and in writing, the proper protocol that will be followed with the financial issues of the school. The bookkeeper and myself will receive training to ensure that the cash management system at Trix is in accordance with the standards set forth by the district.

The bookkeeper will be monitored very closely by myself and it will be my job to know the financial status of the school by viewing bank statements and other financial documentation. A check request will be required to be filled out, submitted to me and signed for approval before any check is written.

The Bank Reconciliations will be completed, given to me for approval and then forwarded to the Office of Accounting on time each month.

The vending machines presently operated by the teacher will be removed immediately from the building. I will communicate with the proper department to identify an approved vender to provide this service.

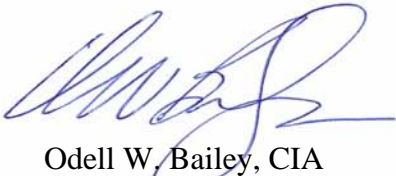
Sincerely,

Denise Booker, Principal
Trix Elementary/Middle School

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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