

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF YOUNG ELEMENTARY School Year 2008-09

REPORT NO: 09-194

REPORT DATE: June, 2009

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BACKGROUND

For School Year 2008 – 2009, approximately 605 students were enrolled at Young Elementary, which has grade levels Pre-Kindergarten through Fifth. Ms. Sharon Mills-Sanford was the Principal during this time period and has been serving in that capacity since July 2003.

Ms. Cynthia Brassell, Clerical III, performed the bookkeeping duties and has been doing so since July 2006.

Young Elementary maintains one commercial checking account at Chase Bank. Primary sources of General School Funds are from student activities (i.e., field trips), fundraising activities (i.e. Local School Community Organization), and local grants (e.g., Skillman). 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)

ACCOU TYPE	AMOUNT
<u>Commercial Checking Account Deposits</u>	\$11,949

AUDIT RESULTS IN BRIEF

Based on our audit of the Young Elementary cash management process, we noted control weaknesses related to cash receipts, cash disbursements, and bank reconciliations:

- Non-compliance with District cash management policy and/or ineffective practices.
 - Pre-numbered Duplicate Receipt forms were not issued in sequential order.
 - Check request forms were not signed to document approval of expenditures.
 - Supporting documentation was not available for some expenditure.
 - Checks were not signed by a second authorized signer.
 - Bank reconciliations were not signed by the reviewer.

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

Achievement:

Young Elementary 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.

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AUDIT FINDINGS

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

The following was noted during the test of compliance with the “School Administrative Financial Manual 2006 -07” (SAFM):

- Pre-numbered Duplicate Receipt forms were not issued in sequential order.
- Check request forms were not signed to document approval of expenditures.
- Supporting documentation was not available for some expenditure.
- Checks were not signed by a second authorized signer.
- Bank reconciliations were not signed by the reviewer.

Cause

School officials stated that they were unaware of the requirements to use certain forms for cash activity and check requests included in the District’s SAFM.

Effect

Lack of adherence to District policies related to cash receipts and disbursements results in non-standardize procedures that can vary with each school, which can result in processing inefficiencies. In addition, failure to request and approve cash disbursements can result in inappropriate or unauthorized purchases.

Recommendation

The Principal should ensure that all staff participating in financial transactions is familiar with and 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 responses provided by Sharon Mills-Sanford, Principal:

Dear Mr. Bailey,

This is being written in response to the audit results based on the audit done at Coleman A. Young Elementary School for the 2008-2009 school year.

In response to the findings that pre-numbered duplicate receipt forms were not issued in sequential order, I concur. Under the guidance of the principal the pre-numbered forms will be issued in sequential order effectively immediately.

In response to the findings that check request forms were not signed to document approval of expenditures. Most of the check request forms were signed for approval. However we will make sure all check request forms have been signed by all parties per (SAFM) 2006-2007.

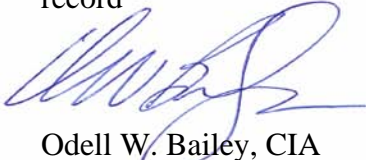
In addition to the above mentioned corrections, the office staff involved in the cash management process will be aware of and adhere to the current District Policies as well as appropriate contact information for those Central Accounting Office personnel responsible for assisting the accounting process. The staff handling cash will be limited to ONLY those trained on district policy for cash management.

It is the desire of the administrator and office staff of Coleman A. Young Elementary School to have a cash management system that 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 to ensure that the General School funds and District funds are properly accounted for, safeguarded and used as intended.

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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