

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF EMERSON ELEMENTARY School Year 2008-09

REPORT NO: 09-076

REPORT DATE: June, 2009

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EMERSON ELEMENTARY
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BACKGROUND

For School Year 2008 – 2009, approximately 360 students were enrolled at Emerson Elementary, which has grade levels Pre-Kindergarten through Fifth. Ms. Julienne Akins was the Principal during this time period and has been serving in this capacity for four years.

Ms. Kasey Gantt, Secretary, performs the bookkeeping duties and has been doing so August 2008.

Emerson Elementary maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include fundraising activities and community donations (i.e., Safe Drug Free, Lowes, Target, Michigan Women in Technology) and special project funds (i.e., League Grant Title I). 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)

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$5,620

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted control weaknesses related to adequate safeguarding of assets. Specifically, *a total of 48 checks could not be located.*

The detail of this finding and recommendation is included in the Findings Section of this report.

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.

During the review of cash disbursements, the Auditor informed the Secretary/ Bookkeeper that a total of 48 checks were missing from the checkbook. Per the secretary, the checks could not be located and new checks were ordered.

Cause

Failure to comply with SAFM and best practices regarding proper safeguarding of assets.

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AUDIT FINDINGS (continued)

Effect

Lack of adherence to District policies and best practices related to safeguarding of assets could result in financial losses due to theft.

Recommendation

The Principal should take the necessary actions to ensure assets are properly safeguarded by effective on-going monitoring of cash management functions.

MANAGEMENT RESPONSE

Ralph Waldo Emerson
18240 Huntington
Detroit, MI 48219

July 6, 2009

Dear Auditor General Bailey,

I have reviewed the findings of the recent audit report conducted at Emerson Elementary School. The findings indicate that 48 checks were missing. It is my sense, that these checks were securely stored by the previous clerical who retired in June, 2008. When her replacement arrived and only a few checks remained in the school's checkbook, new checks were ordered.

The following corrective actions by the principal would address this finding:

- 1) Identification of the missing check numbers and notification sent to the bank.
- 2) Development of a checklist for exiting administrative and clerical/bookeeping staff.
- 3) Maintenance of a log of both check numbers of checks in the checkbook and those securely stored.
- 4) Ongoing monitoring of cash management functions as recommended in the audit report.

Sincerely,

Julienne Akins

Cc: Diane Fleming, Regional Superintendent
Dennis Johnson, Audit Manager

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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

Odell W. Bailey, CIA
Auditor General