

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-088

REPORT DATE: June 30, 2009

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BACKGROUND

For School Year 2008 - 2009, approximately 358 students were enrolled at Glazer Elementary School, which has grade levels Kindergarten through Fifth. Ms. Bennie Glenn was the Principal during this time period and has been serving in this capacity since 2007.

Ms. Katherine Pitts, Head Secretary, performs the bookkeeping duties and has done so since 2007.

Glazer Elementary maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include student activities, fundraising activities, special project funding, and corporate donations. 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 example, 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>	\$8,988

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted the following control weaknesses:

- Non-compliance with District cash management policy.
 - Pre-numbered duplicate receipts were not provided in a timely manner.
 - Availability of funds was not verified before disbursements were made from activity accounts.
 - Checks were not signed by two authorized signers.
- Petty cash fund maintained without appropriate financial records.

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

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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.

The following non-compliance issues were noted:

- Pre-numbered duplicate receipts were not provided at the time of the cash exchange.
- Availability of funds was not verified before disbursements were made from activity accounts.
- Checks were not signed by two authorized signers.

Cause

Lack of adherence to existing District policies (i.e., SAFM.). In addition, the Secretary performing the bookkeeping duties a reduction in staff has resulted in a demanding work load.

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 – Petty Cash Fund Maintained without Appropriate Financial Records:

The “School Administrative Financial Manual 2006-07” (SAFM) governs the maintenance of petty cash funds including required documentation:

The following documentation was not maintained:

- Approval for reimbursements from the fund, and
- Supporting documentation for expenditures from the fund.

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AUDIT FINDINGS (continued)

Cause

School officials stated that they were not aware of the requirements to use certain forms for cash activity included in the District's SAFM.

Effect

The school funds are more susceptible to fraudulent transactions when there is insufficient recordkeeping and supporting documentation.

Recommendation

The Principal should ensure that all appropriate records related to petty cash activity are maintained in compliance with District policy and good business practices.

MANAGEMENT RESPONSE

Management response provided by Ms. Bennie Glenn, Principal:

Pre-numbered duplicate receipts will be provided at the exact time of the cash exchange.

The availability of funds for each activity account will be verified before any disbursements are made, rather than just verifying the funds available in the entire account.

Checks will always be signed by two authorized signers.

A ledger will be maintained indicating all activity for the petty cash fund, including approval for reimbursements from the fund and supporting documentation for expenditures from the fund.

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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