

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-021

REPORT DATE: June 30, 2009

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BACKGROUND

For School Year 2008 – 2009, 756 students were enrolled at Burns Elementary School, which has grade levels Pre-Kindergarten through Eighth. Ms. Charlene Harper was the Principal during this time period and has been serving in this capacity since August 2001.

Ms. Joyce Kennedy, Secretary, performs the bookkeeping duties and has been doing so for four years. Prior to this assignment, Ms. Kennedy was a bookkeeper for 17 years at Condon Middle School, Brooks Middle School and Yost Elementary.

Burns Elementary School maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include fundraisers, vending machines community donations (Rip Hamilton) and special project funds (i.e., Skillman Grant, Title I, Cry Detroit, 21st Century, Cultural, Golden Apple, Safe Routes, 3M & Generation with Promise). 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.

SCOPE & METHODOLOGY (continued)

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- 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>	\$31,033

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
 - Receipts were not always issued sequentially; three instances were noted.
 - There were three stale dated checks dating from 2006 through July 2008 totaling \$171.37.
 - Reconciliations were not initialed and dated by the preparer, nor reviewer evidencing a proper management review.
 - Fundraiser documents detailing the purpose of the fundraiser, authorization for activity and profit/loss statements were not completed in accordance with District policy.
- During the fiscal year, the school hosted a community basketball league for elementary -aged students, which did not appear to be in compliance with the Community Use Procedures as a Permit was not on file for review.

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

AUDIT RESULTS IN BRIEF (continued)

Achievements

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Burns Elementary School is a recipient of the *Skillman Foundation Good Schools Grant* 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.

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:

- Cash receipts were not always issued always issued sequentially.
- Three stale dated checks, dating from 2006 through July 2008 totaling \$171.37 were recorded bank reconciliations as outstanding.
- Bank reconciliations were not initialed and dated by the preparer, nor reviewer evidencing a proper management review.
- Fundraiser documents detailing the purpose of the fundraiser, authorization for activity and profit/loss statements were not completed.

Cause

Lack of adherence to existing District polices (i.e., SAFM.)

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 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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AUDIT FINDINGS (continued)

2. Finding – After School Activity not in compliance with Community Use Policy:

The “Use of Facilities during Non-Instructional Hours Procedures” governs all events held in district buildings after school hours.

During the fiscal year, the school hosted a community basketball league for elementary -aged students, which did not appear that a Community Use Permit was obtained for the event...

Cause

Lack of adherence to existing District polices (i.e., Use of Facilities During Non-Instructional Hours Procedures.)

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 after school events are held in compliance with district policies and procedures.

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MANAGEMENT RESPONSE

Management responses were provided by Ms. Charlene Harper, Principal:

In response to the Financial Audit report for Burns School, I concur with the audit findings and have the following plans of corrective action for implementation:

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:

1. **Finding: Cash receipts were not always issued always issued sequentially.**

Recommendation: As the principal in charge I find it my duty to make sure that any and all receipts are the duty of the principal. As of today all receipts will be in sequential order and reviewed by myself.

2. **Finding: Three stale dated checks, dating from 2006 through July 2008 totaling \$171.37 were recorded bank reconciliations as outstanding.**

Recommendation: A process has been put into place that any outstanding checks after 30 days will be cancelled and must be submitted by the payee again.

3. **Finding: Bank reconciliations were not initialed and dated by the preparer, nor reviewer evidencing a proper management review.**

Recommendation: All bank reconciliations will be initialed and signed off by the principal and the recording bookkeeper. 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.

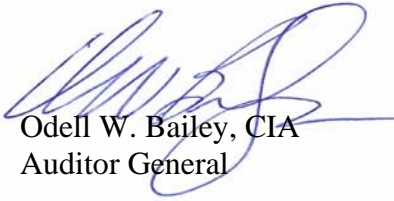
4. **Finding: Fundraiser documents detailing the purpose of the fundraiser, authorization for activity and profit/loss statements were not completed.**

Recommendation: All fundraisers are in alignment with the district's policy detailed in the fundraiser section of SAFM. A profit/ loss statement will be attached to all fundraisers.

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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