

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-133

REPORT DATE: June 30, 2009

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BACKGROUND

For School Year 2008 – 2009, 182 students were enrolled at Marquette Elementary School which has grade levels Pre-Kindergarten through Eighth. Ms. Dwana Brown was the Principal during this time period and has been serving in this capacity since July 1, 2008. The bookkeeping duties have been performed for the past 15 years by Ms. Earline McCoy, Secretary.

Marquette Elementary School maintains one commercial checking account with Comerica Bank. Primary sources of General School Funds include school fundraisers, and district grants (Head Start). The primary source of District Fund Revenues is the lunchroom collections.

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.
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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)

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- 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>	\$ 4,750

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted control weaknesses related to compliance with District cash management policy. Specifically,

- Receipts were not recorded in a pre-numbered duplicate receipt book
- Cash receipts were not accurately posted in the ledger
- Receipts were not deposited in a timely manner
- Bank reconciliations were not signed or dated by the Principal

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

Achievement:

Marquette Elementary School 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 prior year; (3) Have sufficient parental and community partnerships.

AUDIT FINDINGS

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

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

The following non-compliance issues were noted:

- Receipts were not recorded in a pre-numbered duplicate receipt book
- Cash receipts were not accurately posted in the ledger – A deposit was recorded in the cash receipts journal on 9/16/2008 for \$1,233.68. The bank statement reflected a deposit of \$1, 251.88 on 9/25/2008. The \$18.00 difference was cash received not recorded in the journal.
- Receipts were not deposited in a timely manner – A receipt was recorded in the cash receipts journal on 11/10/2008 in the amount of \$380.00. The receipt was not deposited until 1/13/2009.
- There was no evidence of Bank reconciliations being reviewed and approved by the Principal.

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 2006-2007.

Also, 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.

MANAGEMENT RESPONSE

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Management Responses provided by Ms. Dwana Brown, Principal:

Receipts were not recorded in a pre-numbered duplicate receipt book.

All receipts are recorded in a pre-numbered duplicate book. Some receipts were also copied by the secretary.

Cash receipts were not accurately posted in ledger.

The amount of \$380.00 was mistakenly recorded twice in the ledger

Receipts were not deposited in a timely manner.

Most receipts have been picked up by the armored truck or deposits are taken to the bank, to avoid leaving large sums of money in the school.

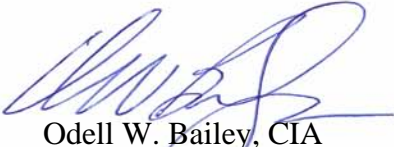
Bank reconciliations were not signed or dated by the principal.

It is agreed that all principals and designated staff be trained in proper banking procedures.

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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