

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF A.L. HOLMES ELEMENTARY SCHOOL

School Year 2008-09

REPORT NO: 09-105

REPORT DATE: June, 2009

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**DETROIT PUBLIC SCHOOLS
A.L. HOLMES ELEMENTARY SCHOOL
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BACKGROUND

For School Year 2008 – 2009, approximately 532 students were enrolled at A.L. Holmes Elementary School, which has grade levels Pre-Kindergarten through Eighth Grade. Dr. Delores Harris was the Principal during this time period and has been serving in this capacity since 2006.

Ms. Tina Walker, Head Secretary, performs the bookkeeping duties and has done so since 2008.

A.L. Holmes Elementary maintains a commercial checking account with Chase Bank. Primary sources of General School Funds include special project funds (i.e., Skillman Good Schools Grant). 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>	\$14,801

AUDIT RESULTS IN BRIEF

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

The following non-compliance issues were noted:

- Pre-numbered duplicated receipts were not utilized
- Cash receipts and disbursements were not recorded timely in the general journals/ledgers
- One bank reconciliation was not prepared while the remaining were prepared inaccurately

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 duplicated receipts were not utilized
- Cash receipts and disbursements were not recorded timely i.e., daily in the general journals/ledgers
- The July 2008 bank reconciliation was not prepared while the August 2008 through March 2009 bank reconciliations were prepared improperly.

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 2006-07”

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.

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MANAGEMENT RESPONSE

Response Regarding Financial Related
of
A. L. Holmes Academy
School Year 2008 – 2009
Report No. 09-105
Report Date: June 2009

The audit referred to in this response was performed when I, the principal- Dr. Delores J. Harris, was out of the building recuperating from an extended illness. The “school official” mentioned in the audit is our Lead Secretary, Tina Walker.

I reviewed the entire audit document with Mrs. Walker. We respond as follows.

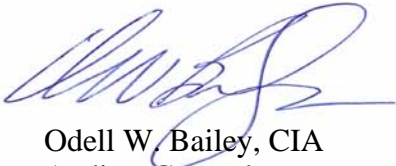
CORRECTIVE MEASURES

- All incoming funds are being receipted since the audit.
- The principal will seek training for Mrs. Walker, herself and anyone who handles funds within the building, since no training has been provided by the district as of date. This explains the lack of knowledge concerning the “School Administrative Financial Manual”.

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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 and title.

Odell W. Bailey, CIA
Auditor General