

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-010

REPORT DATE: June 30, 2009

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**DETROIT PUBLIC SCHOOLS
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BACKGROUND

For School Year 2008 – 2009, approximately 550 students were enrolled at Bennett Elementary School, which has grade levels Pre-Kindergarten through Fifth Grade. Ms. Antonia Gonzalez was the Principal during this time period and has been serving in this capacity since 2005.

Ms. Shirley Austin, Head Secretary, has been the school bookkeeper since 1993.

Bennett Elementary maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include student activities and fundraisers. 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>	\$10,032

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:

- Fundraisers were not pre-approved by the District as required,
- Profit and Loss statements were not completed for fundraisers,
- Bank reconciliations were not approved by the Principal prior to submission.

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:

- Fundraisers were not pre-approved by the District
- Profit and Loss statements were not completed for fundraisers
- Bank reconciliations were not approved by the Principal prior to submission.

Cause

School officials stated that they were unaware of the District’s SAFM and therefore was not aware of the requirement to use certain forms for cash receipts and check requests.

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

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MANAGEMENT RESPONSE

Management Response provided by Mrs. Antonia González, Principal.

Audit Findings:

Non-compliance issues number 1 and number 2.

1. *"Fund raisers were not pre-approved by the District."*
2. *"Profit and Loss Statements were not completed for fund raisers."*

Response: For the past several years, the teacher-in-charge of the particular fund raiser in question has completed the *Request for Approval – Fund Raising Activity Events or Campaigns*, as well as the *Profit and Loss Statements* at the completion of the activity. After investigation, the teacher-in-charge this year indicated he was not aware that he was responsible for these documents. As the administrator in charge responsible for all financial transactions of my building, I will insure that all future fund raisers will be handled in accordance with DPS policy.

Non-compliance issue number 3.

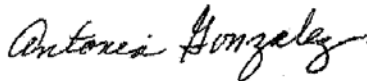
"Bank reconciliations were not approved by the Principal prior to submission."

Response: The school bookkeeper (of 10+ years) and the Principal were not aware that this was a requirement. All future bank reconciliations and general ledgers submitted monthly will be signed and dated by both the school bookkeeper and the Principal.

Additional Comments:

The District's *School Administrative Financial Manual 2006-2007* has been printed from the District website and will be reviewed by both the Principal and school bookkeeper to ensure that approved District practices concerning cash management and bookkeeping are adhered to at all times.

Respectfully submitted,



Antonia González
Principal

Dated: June 30, 2009

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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