

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-091

REPORT DATE: June, 2009

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BACKGROUND

For School Year 2008 – 2009, 334 students were enrolled at Gompers Elementary School, which has grade levels Pre-Kindergarten through Fifth. Ms. Bobbie Posey-Posey-Milner was the Principal during this time period and has been serving in this capacity since 2007.

In addition to her role as Principal, Ms. Posey-Milner assists in performing the bookkeeping duties along with Ms. Linda Williams, Secretary.

Gompers Elementary maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include student activities, fundraising, and special project funding (e.g. 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> | \$87,478 |

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 regarding pre-numbered duplicate receipt books
- Improper segregation of duties

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

Achievement

Gompers Elementary is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as a High Performing School. This indicates that they have met criteria such as: (1) Meeting or exceeding grade-level expectations in English, math and science; (2) Offering challenging curricula to all students; and (3) Demanding consistent attendance and punctuality from all students, etc.

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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.

We noted pre-numbered duplicate receipt books were not utilized when there was an exchange of cash.

Cause

The school official stated that she was unaware of the District’s SAFM and therefore was not aware of the requirement to use certain forms for cash receipts.

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 – Improper Segregation of Duties

The “School Administrative Financial Manual 2006-07” (SAFM) governs the cash management function including adequate segregation of duties.

We noted the Principal assisted in the duties of receiving/verifying cash, maintaining cash receipts and disbursement ledgers, preparing funds for deposit, authorizing expenditures, writing checks and reconciling the bank account.

Cause

Lack of adherence to District policy requiring a separation of duties related to recordkeeping, custody, authorization and reconciliation of funds.

Effect

The school account was susceptible to inaccuracies and/or misappropriation of funds.

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AUDIT FINDINGS (continued)

Recommendation

The Principal should segregate cash management duties such that, the receiving and recording of financial transactions including bank reconciliations are performed by another staff member.

In addition, the Principal should authorize and monitor cash management functions including a review of monthly bank reconciliations, as evidenced by signing and dating applicable financial records.

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MANAGEMENT RESPONSE

**Gompers Elementary School
20601 W. Davison
Detroit, MI 48223
(313) 494-7495**

Bobbie Posey Milner, Principal

July 15, 2009

**Mr. Odell W. Bailey, CIA, CGFM
Auditor General
Detroit Public Schools
3011 W. Grand Blvd.
6th Floor Fisher Bldg., Ste. 601 A
Detroit, MI 48202**

Dear Mr. Bailey,

Gompers Elementary School is a National Blue Ribbon, State Golden Apple, and Skillman Foundation High Performing School located in the Brightmoor Community. We, along with our parents and community partners strive to successfully educate all of our students in a safe, clean, and healthy learning environment.

I have received the Financial Audit Report for Gompers Elementary School. I would like to respond as follows:

Within the Audit Report, we were cited for two findings out of fifty two Audit Classifications.

Finding 1:

- **“Pre-numbered duplicate receipt books were not utilized when there was an exchange of cash.”**

Response:

We did not have a pre-numbered duplicate receipt book. We kept our cash receipts on a Microsoft Excel Spreadsheet. We have purchased a pre-numbered duplicate receipt book and have started the process outlined in the School Administrative Financial Manual for receiving and recording exchange of cash.

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MANAGEMENT RESPONSE

Finding 2:

- **“Improper Segregation of Duties: The principal assisted in the duties of receiving/verifying cash, maintaining cash receipts and disbursement ledgers, preparing funds for deposit, authorizing expenditures, writing checks and reconciling the bank account.”**

Response:

We do not have a trained bookkeeper on our staff. We requested a bookkeeper at the beginning of the 2008 – 2009 school year and did not receive one. A representative from the Office of Accounting came to our school in October and told me that it was my responsibility to make sure that a monthly ledger and bank reconciliation statement was completed each month. The representative put the templates on my computer and trained me. I in turn, worked with my secretary to make sure that all of our monies were accounted for each month. We did the best that we could as untrained accountants.

We will now follow the recommendations provided by the Auditor in order to ensure that the cash management system is effective in controlling the receipt, processing, deposit, disbursement and accounting of our school funds.

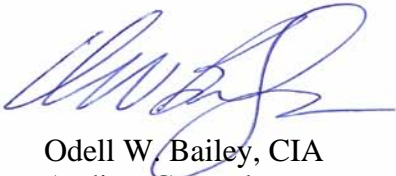
Educationally yours,

**Bobbie Posey Milner
Principal
Gompers Elementary School**

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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