

Detroit Public Schools
Office of the Auditor General



FINANCIAL RELATED AUDIT
OF
GREENFIELD UNION ELEMENTARY
School Year 2008-09

REPORT NO: 09-092

REPORT DATE: June, 2009

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BACKGROUND

For School Year 2008 – 2009, approximately 583 students were enrolled at Greenfield Union Elementary School, which has grade levels Pre-Kindergarten through Eighth Grade. Ms. Beverly Campbell was the Principal during this time period and has been serving in this capacity since 2005.

Ms. Carolyn Barr, Head Secretary, performs the bookkeeping duties and has done so since 1979.

Greenfield Union Elementary maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include special project funds (i.e., Skillman Grand and Blue Cross/Blue Shield Grant, and Generation with Promise Grant from Kellogg's). 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>	\$21,756

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,

- Check request forms were not used to authorize check disbursements.
- Lack of supporting documentation for expenditures.
- Sales tax was paid on expenditures.
- Bank reconciliations were not signed by the Principal to indicate they were reviewed.

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

Achievement

Greenfield Union Elementary is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as an Aspiring School. This indicates that they have met criteria such as: (1) Improved MEAP scores with a 5% increase over the prior year; (2) Have an average performance in English, math and Science; and (3) Sufficient parental and community partnerships, 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.

The following non-compliance issues were noted:

- Check request forms were not used to authorize check disbursements.
- Lack of supporting documentation for expenditures.
- Sales tax was paid on expenditures.
- Bank reconciliations were not signed by the Principal to indicate they were reviewed.

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 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, 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

Greenfield Union Elementary/Middle School

"Building Centers of Excellence in Every School, for Every Child, in Every Neighborhood!"

420 W. Seven Mile

Detroit, MI 48203

(313) 866-2999 (Main Building)

(313) 852-9300 (Early Learning Center)

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

June 24, 2009

Dear Mr. Bailey,

I have reviewed the list of compliance and control weaknesses that were identified at Greenfield Union by the auditors. I am providing the corrective actions that will address each finding.

- ◆ **There were three instances where a check request form was not utilized to authorize check disbursements.**
I concur with this finding. Check numbers 3855 and 3877 did not have a check request form attached to it; however, check number 3851 was attached to a check request form. I will be diligent in ensuring that the person designated as the check writer has all of the required documentation before issuing and distributing a check.

- ◆ **Lack of supporting documentation for expenditures.**
I concur with this finding. Copies of every check are made and stapled to the request/approval form and the receipt of the expenditures, but there may have been one receipt missing. I will make sure that all receipts are submitted to me immediately after a purchase is made.

- ◆ **Sales tax was paid on expenditures.**
I concur with this finding. The tax-exempt form from Central Office is now used with every expenditure.

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MANAGEMENT RESPONSE (continued)

- ◆ **Bank reconciliations were not signed by the Principal to indicate they were reviewed.**

I concur with this finding. Although I have reviewed each bank reconciliation, I was never informed by Cash Management that a signature was needed on the reconciliations. A form has been produced and is being used that requires my signature before it is submitted to Shirley Crumpler/Cash Management.

As the principal and lead administrator of Greenfield Union School, I will follow all policies and procedures to ensure that the cash management system is effective in controlling the receipt, processing, deposit, disbursement and accounting of funds. Doing so will limit any risk of theft, misuse and/or misappropriation, and will ensure that all General School and District funds are properly accounted for, safeguarded and used as intended.

I will ensure that all staff members responsible for financial transactions are trained on District policy for cash management activities, as detailed in the "School Administrative Financial Manual 2006-07".

- ◆ **There were three instances where a check request form was not utilized to authorize check disbursements.**

I concur with this finding. Check numbers 3855 and 3877 did not have a check request form attached to it; however, check number 3851 was attached to a check request form. I will be diligent in ensuring that the person designated as the check writer has all of the required documentation before issuing and distributing a check.

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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