

**Detroit Public Schools**  
**Office of Auditor General**



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**FINANCIAL RELATED AUDIT**  
**OF**  
**HEILMANN ELEMENTARY SCHOOL**  
**School Year 2008-09**

**REPORT NO: 09-100**

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**REPORT DATE: June, 2009**

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**BACKGROUND**

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For School Year 2008 – 2009, approximately 761 students were enrolled at Heilmann Elementary School which has grade levels Pre-Kindergarten through fifth grade. Ms. Yvette Little was the Principal during this period and has been serving in this capacity since 2006. Ms. Little has performed all bookkeeping duties including preparing the monthly bank reconciliation since becoming principal in 2006.

Heilmann Elementary School maintains one commercial checking account with Chase Bank. Primary sources of General School Funds include vending machines, school fundraisers, school fines and District grants (Title 1). The primary sources of District Fund Revenues are the lunchroom collections and the summer school programs (including Learning Academy and Learning Community).

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**AUDIT OBJECTIVES**

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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**

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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. Perform research as necessary.

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**SCOPE & METHODOLOGY (continued)**

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- 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.
- 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.

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**FINANCIAL SUMMARY**

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**Table 1.1**      **Cash Receipts from General and District School Funds (July 2008 – March 2009):**

<b>ACCOUNT TYPE</b>	<b>AMOUNT</b>
<u>Commercial Checking Deposits</u>	\$ 16,606

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**AUDIT RESULTS IN BRIEF**

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Based on our audit of the cash management process, we noted the following control weaknesses:

- Receipts were not recorded in a pre-numbered duplicate receipt book
- Receipt numbers were not recorded in the ledger
- Receipts were not issued in sequential order
- Lack of Segregation of Duties

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

Achievement:

Heilmann Elementary School was a recipient of the *Skillman Foundation Good Schools Grant* in 2008, with a designation as an Improving School. This indicates that they met criteria such as: (1) Showed overall improvements over the last two years; (2) Have improved MEAP scores, with 10-percent increase in two subject areas; (3) Have sufficient parental and community partnership.

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**AUDIT FINDINGS**

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**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:

- Receipts were not recorded in a pre-numbered duplicate receipt book
- Receipt numbers were not recorded in the ledger
- Receipts were not issued in sequential order

**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.

**2. Finding – Lack of 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 performed the bookkeeping duties of receiving funds, maintaining cash receipts and disbursement ledgers, preparing funds for deposit, authorizing expenditures, writing checks and reconciling the bank account.

**Cause**

One person is responsible for the 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)**

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**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**

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**DETROIT PUBLIC SCHOOLS**

Heilmann Park Elementary School  
15510 E. State Fair  
Detroit, Michigan 48205  
Yvette F. Little, Principal  
Phone: 313-642-4854      Fax: 313-642-4855

July 2, 2009

Odell W. Bailey  
Auditor General  
Detroit Public Schools

Dear Mr. Bailey

Pursuant to the findings of the Financial Audit No. 09-100 conducted for Heilmann Park Elementary School on May 6, 2009, please find below the Corrective Action's that address Heilmann(s) Control weaknesses.

**Finding #1-School Administrative Financial Manual Non-Compliance**

**Corrective Action-**To ensure proper controls over all cash receipt transactions:

- All cash, checks, and money orders will be documented in sequential order in a pre-numbered duplicate receipt book that will be maintained in the office.
- All receipt numbers will be recorded on the deposit slip and on the ledger in the fund in which the money has been deposited.
- All staff responsible for financial transaction will receive training on District policy for cash management activities, as detailed in the "School Administrative Financial Manual 2006-2007."
- The School Administrative Financial Manual will be downloaded from the Intranet and maintained in the main office in a binder as a reference; as well as, appropriate contact information for the Central Accounting Office.

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**MANAGEMENT RESPONSE (continued)**

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**Finding #2-Lack of Segregation of Duties**

**Corrective Action-** We will modify our current practices to better our Segregation of Duties. to include:

One person counting and taking custody of cash, the other writes and dispenses receipts;  
One person recording funds in the ledger, the other person will write Bank Deposit Slips,  
One person will complete Bank Reconciliations and the other person will sign them..

Yvette F. Little  
Principal  
Heilmann Park 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.

Odell W. Bailey, CIA  
Auditor General