

# Detroit Public Schools Office of the Auditor General



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## FINANCIAL RELATED AUDIT OF JEMISON ELEMENTARY SCHOOL School Year 2008-09

**REPORT NO: 09-113**

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**REPORT DATE: June 30, 2009**

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**DETROIT PUBLIC SCHOOLS  
JEMISON ELEMENTARY SCHOOL  
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**BACKGROUND**

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For School Year 2008 – 2009, 680 students were enrolled at Jemison Elementary School, which has grade levels Pre-Kindergarten through Eighth. Dr. Sheila Jenkins was the Principal during this time period and has been serving in this capacity since 1997. In addition to her role as Principal, Dr. Jenkins also performed the bookkeeping duties for Jemison Elementary.

Jemison 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)*.

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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. Performed research as necessary.
- 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.

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**SCOPE & METHODOLOGY (continued)**

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- 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)**

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$39,740

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**AUDIT RESULTS IN BRIEF**

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

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

**Achievement**

Jemison Elementary is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as an Improving School. This indicates that they have met criteria such as: (1) Overall improvements over the last two years; (2) Improved MEAP scores with a 10% increase in two subject areas; and (3) Sufficient parental and community partnerships, etc.

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**AUDIT FINDINGS**

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**1. 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. As such, there were no checks in balances or independent verification of transactions.

**Cause**

Lack of proper segregation of duties related to recordkeeping, custody, authorization and reconciliation of funds did not exist.

**Effect**

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

**Recommendation**

District management working with 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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Management response provided by Dr. Jenkins, Principal:

Based upon the audit of the cash management process, which noted control weakness related to compliance with the District cash management policy:

- Lack of Segregation of Duties related to recordkeeping, custody, authorization and reconciliation of funds.

It is our goal to comply with all of the policies and procedures set forth by the District. With that goal in mind, the following steps are now in place to assure that further violations of this nature will no longer occur:

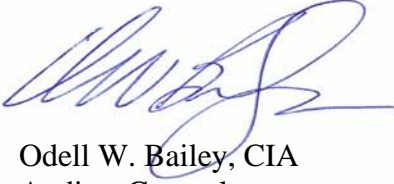
- The receiving and recording of financial transactions, including bank reconciliations, will be done by the school secretary and no longer performed by the principal.
- The principal will authorize and monitor cash management functions, including a review of monthly bank reconciliations, as evidenced by signing and dating applicable financial records.

Sheila A. Jenkins  
Mae C. Jemison Academy

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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