

Detroit Public Schools
Office of the Auditor General



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

REPORT NO: 09-126

REPORT DATE: June, 2009

**DETROIT PUBLIC SCHOOLS
LOVING ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-126**

BACKGROUND

For the 2008-2009 school year, approximately 545 students were enrolled at Loving Elementary School, which has grade levels Kindergarten through fifth. Ms. Eddie Mae Huwitte was the Principal during this time period and has been serving in this capacity since 2005. Previously she was the Principal of Keidan Elementary from 1989 to 2005, Foreign Language Immersion Program from 1988 to 1989 and Golightly Educational Center from 1982 to 1988.

Ms. Lethea Horton, Secretary, performs the bookkeeping duties and has done so since 2005.

Loving Elementary School maintains one commercial checking account at Comerica Bank. Primary sources of General School Funds are from student activities. 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.

**DETROIT PUBLIC SCHOOLS
LOVING ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-126**

SCOPE & METHODOLOGY (continued)

- 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.
- 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 School and District Funds (July 2008 – March 2009)

ACCOU TYPE	AMOUNT
<u>Commercial Checking Account Deposits</u>	\$4,097

AUDIT RESULTS IN BRIEF

Based on our audit of the Loving Elementary School cash management process, we noted control weaknesses related to compliance with District cash management policy:

- Bank reconciliations not signed by preparer and reviewer.

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

AUDIT FINDINGS

1. Finding - School Administrative Financial Manual Non-Compliance:

The “School Administrative Financial Manual 2006 -07” (SAFM) governs the cash management process.

Bank reconciliations not signed by a Preparer or a Reviewer.

**DETROIT PUBLIC SCHOOLS
LOVING ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-126**

AUDIT FINDINGS (continued)

Cause

Lack of adherence to District policies and best practices. School officials stated that they were unaware of the District's SAFM and therefore were not aware of the specific requirement.

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.

MANAGEMENT RESPONSE

April 2, 2009, Mrs. Shirley Crumpler informed and e-mailed Lathea Horton (secretary) that we should utilize a revised Bank Reconciliation Form. Prior to this date, we utilized the bookkeeping forms accessible via DPS Intranet, which did not indicate a preparer/reviewer signature. After notification, the reports were submitted on the appropriate forms. Attachments are being forwarded via fax.

I concur with the findings and I will comply with the requirement to provide signatures of the preparer and reviewer.


E. Huwite

Principal, Loving Elementary

**DETROIT PUBLIC SCHOOLS
LOVING ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-126**

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