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

REPORT NO:  09-128

REPORT DATE:  June 30, 2009
For School Year 2008 – 2009, approximately 434 students were enrolled at MacDowell Elementary School, which has grade levels Pre-Kindergarten through Sixth. Ms. Mildred Davis was the Principal during this time period and has been serving in this capacity for six years.

Ms. Denize Wilder, Head Secretary, performs the bookkeeping duties for the school and has been doing so for two years.

MacDowell Elementary School maintains a commercial checking account with Chase Bank. Primary sources of General School Funds include student activities, fundraisers, community donations (i.e., Target) and special project funds (i.e., Skillman, Title I & Exxon Mobil 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.

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)

<table>
<thead>
<tr>
<th>ACCOUNT TYPE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Checking Deposits</td>
<td>$29,147</td>
</tr>
</tbody>
</table>

### 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:**

- Inadequate accounting and safeguarding of cash (nominal dollar amount).
- Checks were not restrictively endorsed “for deposit only” at the time of receipt.
- Cash was not always verified at the time of receipt.
- Bank reconciliation adjusting entries were not always properly supported.

The detail of this finding and recommendation is included in the Findings Section of this report.

**Achievement:**

MacDowell Elementary School was a recipient of the *Skillman Foundation Good Schools Grant* in 2008, with a designation as an Aspiring School. This indicates that they met criteria such as: (1) Close
to becoming a High Performing, or Improving school; (2) Improved MEAP scores, with a 5 percent increase over the previous year; (3) Average performance in English, math, and science.

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:
   - Nine dollars in cash was discovered in the February 2008 monthly files with no documentation to adequately support the source of the funds.
   - Checks were not restrictively endorsed “for deposit only” at the time of receipt.
   - While a receipt was provided at the time cash was received, the amount was not always verified.
   - The bank reconciliation process disclosed that adjusting entries did not always have documentation to support the accuracy of the transaction.

   **Cause**
   Lack of adherence to existing District polices (i.e., SAFM.)

   **Effect**
   Lack of adherence to District policies can lead to inconsistent practices resulting in processing inefficiencies, inaccuracies and/or misappropriation of funds. In addition, the use of a signature stamp increases the risk of unauthorized payment of expenditures and/or misappropriated 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 polices 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 responses were provided by Ms. Mildred Davis, Principal:

Edward A. MacDowell Elementary
4201 W. Outer Dr.
Detroit, MI  48221
313-494-7310

July 30, 2009

Dear Mr. Bailey,

In response to the audit results based on the audit completed at MacDowell Elementary for the 2008-2009 school year, I am in concurrence with the following non-compliance issues:

- Nine dollars in cash found in monthly files with no documentation to adequately support the source of the funds was an error that will be corrected. Each month there will be a double check by the principal and the bookkeeper will be refreshed in the SAFM.

- Checks were not restrictively endorsed “for deposit only” at the time of the receipt. A stamp with deposit to the account of MacDowell Elementary will be purchased to cover this non-compliance issue and will be used immediately upon receipt of checks.

- Receipt provided at time cash was received, but the amount not always verified will be corrected. The bookkeeper has been directed to take the time and verify all cash received with the person turning in money before she is to accept it, and then issue a receipt.

- The bank reconciliation process disclosure of adjusting entries without supporting documentation for accuracy will be corrected by additional training in District policy for cash management activities as detailed in the SAFM 2006-07.

MacDowell has all intentions of ensuring that all individuals involved in the cash management process will be aware of proper district policy to support and maintain that all funds are not used inappropriately.
DETROIT PUBLIC SCHOOLS
MACDOWELL ELEMENTARY SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-128

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