

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



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

**REPORT NO: 09-129**

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**REPORT DATE: June 30, 2009**

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**BACKGROUND**

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For School Year 2008 – 2009, approximately 169 students were enrolled at Macomb Elementary School, which has grade levels Pre-Kindergarten through Fifth Grade. Ms. Willie Trotter was the Principal during this time period and has been serving in this capacity since 1999.

Ms. Maisha Saffore, Head Secretary, performs the bookkeeping duties since the beginning of the school year. Prior to this school year, bookkeeping services were performed by an outside bookkeeper, Ms. Weatherspoon.

Mason Elementary maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include special project funds (i.e., occasionally Skillman 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.

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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 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>	\$3,399

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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,

- The AC-4 form was not used to authorize check requests.
- Receipted checks are not being restrictively endorsed

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

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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:

- The AC-4 form was not used to authorize check requests.
- Receipted checks are not being restrictively endorsed.

**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, 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.

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**MATTER FOR CONSIDERATION**

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The administration at Macomb Elementary School is unaware of any formal agreement with Coke Cola however, receives revenue from the vending services. The District has an agreement with Coke and, as such, the Principal at Macomb should ensure their school’s vending machine is apart of the contract and not with a third party vendor.

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**MANAGEMENT RESPONSE**

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This school has been closed, as such a management response was not necessary.

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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.

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Odell W. Bailey, CIA  
Auditor General