

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-131

Report Date: June 30, 2009

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BACKGROUND

For School Year 2008 – 2009, 392 students were enrolled at Mann Elementary School, which has grade levels Pre-Kindergarten through Fifth Grade. Ms. Gwendolyn Frencher was the Principal during this time period and has been serving in this capacity since 2006.

Ms. Doris Horton, Head Secretary, performs the bookkeeping duties and has done so since 1989.

Mann Elementary maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include special project funds (i.e., Skillman Good Schools Grant). Sources of District Fund Revenues include Food Services (i.e., lunchroom and Golden Apple Good School Grant).

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.

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SCOPE & METHODOLOGY (continued)

- 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)

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$17,211

AUDIT RESULTS IN BRIEF

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

The following non-compliance issues were noted:

- Fundraisers were not been pre-approved by the District
- Profit and Loss statements were not completed for fundraisers
- No formal check request/approval form
- No documentation for a disbursements
- Total receipted funds were not deposited
- Petty cash fund maintained without appropriate supporting documentation

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

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AUDIT RESULTS IN BRIEF (continued)

Achievement:

Mann Elementary is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as a High Performing School. This indicates that they have met criteria such as: (1) Meeting or exceeding grade-level expectations in English, math and science; (2) Offering challenging curricula to all students; and (3) Demanding consistent attendance and punctuality from all students, etc.

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:

- Fundraisers have not been prior approved by the District
- Profit and Loss statements are not completed for fundraisers
- No formal check request/approval form
- No documentation for a disbursements
- Total receipted funds were not deposited
- Petty cash fund maintained without appropriate supporting documentation

Cause

School officials stated they were unaware of the District’s SAFM and therefore were not aware of certain forms and requirements for cash receipt activity. Also, total funds were not deposited to start a petty cash fund.

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.

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MANAGEMENT RESPONSE

Management Response provided by Ms. Gwendolyn Frencher, Principal.

I have reviewed the list of compliance and control weaknesses that were identified at the Mann Learning Community by the auditors. I am providing the corrective actions that will address each of the following related to the handling of disbursements.

Findings:

- Fundraisers have not been prior approved by the District
- Profit and Loss statements are not completed for fundraisers
- Total receipted funds were not deposited
- Petty cash fund maintained without appropriate supporting documentation

Response:

Mann School has engaged in only one school sanctioned fundraiser. The above related non compliance issues are associated with that fundraiser. Paperwork for prior approval was prepared however prior written authorization was not secured. All paperwork including a Profit and Loss Statement have been prepared and submitted.

In addition, all funds from the above stated fundraiser were deposited with exception of \$150.00 which were placed in a school petty cash fund to cover possible summer school expenses. We were unaware of any procedures for creating that Petty Cash Fund. Receipts are maintained for any and all money used from the petty cash fund.

Actions:

Contact will be made with the Accounting or Cash Management Department, to retrieve a copy of the SAFM and all district policies will be followed.

Findings:

- No documentation for a disbursements
- No formal check request/approval forms

Response:

Documentation could not be located on one disbursement. Procedures have been put in place to assure that this will not happen again.

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MANAGEMENT RESPONSE (continued)

Action:

All documentation for all disbursements will be maintained and monitored in my office.

Check request/approval forms have now been secured to ensure that any future checks written are accompanied by the form.

Copies of all documentation will be made of all disbursements before check distribution.

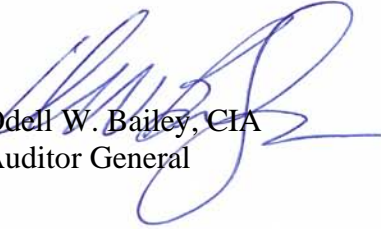
This administration will comply with any and all district policies. As a result of this audit Mann School will seek the services of DPS sanctioned book-keeper to ensure that in the future proper district and book-keeping protocol is followed.

I agree with the findings and will take the necessary corrective actions to ensure that the appropriate training is provided for all staff involved in the handling or the appropriation of school disbursements.

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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