

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-136

REPORT DATE: June 30, 2009

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**DETROIT PUBLIC SCHOOLS
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BACKGROUND

For School Year 2008 – 2009, 367 students were enrolled at Mason Elementary School, which has grade levels Pre-Kindergarten through Fifth. Ms. Edrire Wilson was the Principal during this time period and has been serving in this capacity since 1994.

Ms. Twyla Crumpler, Secretary, performs the bookkeeping duties and has done so since 1981.

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

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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>	\$1,508

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,

Cash Management

- Check stock is not adequately secured

Banking Process

- All funds receipts were not deposited

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

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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.

Check stock is maintained in a file cabinet next to the Secretary/Bookkeeper and not adequately safeguarded in a safe or vault.

Cause

School officials did not comply with District policies and best business practices.

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, 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.

2. Finding – Inaccurate/Incomplete Deposit Slip Documentation:

The “School Administrative Financial Manual 2006 -07:” (SAFM) governs the banking process:

The total of pre-numbered duplicate receipt forms, since the last deposit, did not always agree with the amounts recorded on deposit tickets.

Cause

School officials did not comply with District policies and best practices.

Effect

Incomplete and /or inaccurate records impacts the ability to determine whether all receipts collected were deposited into the bank account.

Recommendation

The Principal should require all cash receipt numbers and amounts to be accurately noted on deposit slips in order to ensure that all funds received by the school are deposited into the school account.

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MANAGEMENT RESPONSE

Management Response provided by Ms. Edrire Wilson, Principal:

In regards to the two items you found that need corrective action:

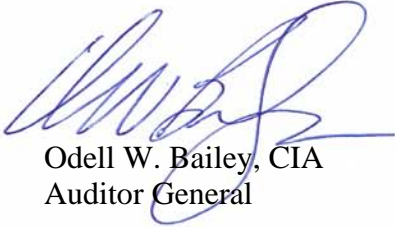
1. The Bank Book will be locked in the school safe.

2. Individual receipts were written in receipt book but deposits were grouped together when taken to the bank. In the future receipt numbers will be put on deposit tickets.

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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