

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-138

REPORT DATE: June, 2009

Fisher Building · 3011 West Grand Boulevard · Suite 601A · Detroit, Michigan 48202

Office: (313) 873-7685 · Fax: (313) 873-7028

**DETROIT PUBLIC SCHOOLS
MCCOLL ELEMENTARY SCHOOL
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BACKGROUND

For School Year 2008 – 2009, approximately 280 students were enrolled at McColl Elementary School, which has grade levels Pre-Kindergarten through Fifth Grade. Ms. Ruby Windhom was the Principal during this time period and has been serving in this capacity since 2001.

Ms. Velma Rushon, Head Secretary, performs the bookkeeping duties and has done so since 2002.

McColl maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include 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.
- 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>	\$3,486

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:

- Receipted checks were not restrictively endorsed.
- Stale-dated checks were listed as outstanding on the bank reconciliation.

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.

The following non-compliance issues were noted:

- Based on the school official and our review of the records, checks are not being restrictively endorsed upon receipt.
- As of March 2009, two stale-dated checks from March and September 2004 remained listed as outstanding check on the bank reconciliation

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 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

**McColl Elementary School
20550 Cathedral Street
Detroit, Michigan 48228
Phone: (313) 852-0708 Fax: (313) 852-0676**

I am writing you to concur with the audit finding and to provide a corrective action plan that will address compliance.

Finding #1: Checks are not being restrictively endorsed upon receipt.

Our checks were being endorsed with a stamp that stated: Pay to the order of
Comerica Bank
Detroit, Michigan
McColl School
Account #

I am now aware that this stamp is not sufficient, therefore the Volk Corporation has been contacted to provide a new stamp for endorsing checks. The new stamp will state "for deposit only" McColl Elementary with the account # provided.

Finding #2: Two stale-dated checks from March and September 2004 remain listed as outstanding checks on the bank reconciliation.

One stale-dated check has been corrected and properly voided. Check # 4181 for \$45.00

I was informed that Comerica Bank would not honor a check written in 2004, in the year 2009, therefore, we will void check # 4194 for \$61.70 written in 2004 and return the funds back into the schools account.

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MANAGEMENT RESPONSE (continued)

Recommendations from your office:

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 -2007.

Also ensure that all individuals involved in the cash management process are aware of where current District policy are stored on the intranet, as well as appropriate contact information for those Central Accounting Office personnel responsible for assisting in the accounting process.

The recommendations have been complied with as I have downloaded the School Administrative Financial Manual 2006 -2007. I have placed a copy in the main office. I provided an overview of page 17 for Ms. Velma Rushon, secretary and me (Ruby D. Windhom, principal) which specifically address the audit finding at McColl Elementary School. I will also sign us up for training when the Office of financial training schedule begins for the school year 2009 -2010.

Report completed by: Ruby D. Windhom, Principal
07/06/2009

Completed by: Ruby D. Windhom, Principal 7/09/09
Revised 7/09/2009

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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