

# Detroit Public Schools Office of the Auditor General



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## FINANCIAL RELATED AUDIT OF O.W.HOLMES ELEMENTARY SCHOOL

School Year 2008-09

REPORT NO: 09-106

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REPORT DATE: June, 2009

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**DETROIT PUBLIC SCHOOLS  
O.W. HOLMES ELEMENTARY SCHOOL  
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**BACKGROUND**

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For School Year 2008 – 2009, 385 students were enrolled at O.W. Holmes Elementary School, which has grade levels Kindergarten through fifth grade. Mr. Stephen W. Black was the Principal during this time period and has been serving in this capacity for 11 years. The bookkeeping duties have been performed for the past 31 years by Ms. Mary McKenzie, Head Secretary. The bank reconciliations are completed by Mr. Patrick Falcusan, school union representative.

O.W. Holmes Elementary School maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include vending machines, fundraising activities, field trips and school grants. 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.
- 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 example, lunchroom deposits.

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REPORT NO. 09-106**

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**SCOPE & METHODOLOGY (continued)**

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- 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 Activity for Cleveland Intermediate School:**

<b>ACCOUNT TYPE</b>	<b>AMOUNT</b>
<u>Commercial Checking Deposits</u>	\$15,285

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**AUDIT RESULTS IN BRIEF**

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Based on our audit of O.W. Holmes Elementary School's cash management process, we noted the following control weaknesses:

- Non-compliance with District cash management policy:
  - Bank reconciliations were not prepared timely.
  - Bank reconciliations were not signed by the preparer and /or reviewer

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

**DETROIT PUBLIC SCHOOLS  
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FINANCIAL AUDIT  
REPORT NO. 09-106**

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**AUDIT FINDINGS**

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**1. Finding - School Administrative Financial Manual Non-Compliance:**

The following was noted during the test of compliance with the "School Administrative Financial Manual 2006 -07" (SAFM):

- Non-compliance with District cash management policy:
  - Bank reconciliations were not prepared.
  - Bank reconciliations were not signed by the preparer and /or reviewer

**Cause**

School officials stated that they were unaware of the requirements to use certain forms included in the District's SAFM.

**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**

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Management responses provided by Mr. Stephen Black, Principal:


As principal I will ensure that all staff responsible for financial transactions will be trained on the District policy for cash management activities, as detailed in the "School Administrative Financial Management Manual 2006-07.

In addition I will ensure that all staff responsible for financial transactions is 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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O.W. HOLMES ELEMENTARY SCHOOL  
FINANCIAL AUDIT  
REPORT NO. 09-106**

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