

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF PARKER ELEMENTARY School Year 2008-09

REPORT NO: 09-155

REPORT DATE: June 30, 2009

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**DETROIT PUBLIC SCHOOLS
PARKER ELEMENTARY SCHOOL
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BACKGROUND

For School year 2008 – 2009, approximately 614 students enrolled at Parker Elementary School, which has grade levels Pre-Kindergarten thru Eighth grade. Ms. Ledora Scott was the Principal during this time period and has been serving in that capacity for two years. The bookkeeping duties have been performed for the past 2 years by Ms. Josephine Reynolds, Secretary.

Parker Elementary School maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include fundraising activities, field trips and community donations. 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.
- 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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SCOPE & METHODOLOGY (continued)

- 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>	\$4,705

AUDIT RESULTS IN BRIEF

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

- Receipts were not recorded in a pre-numbered duplicate receipt book
- Disbursements were not approved by the Principal or Assistant Principal
- Supporting documentation for expenditures were not maintained
- Cash receipt numbers were not referenced on the bank deposit ticket
- 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.

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:

- Receipts were not recorded in a pre-numbered duplicate receipt book
- Disbursements were not approved by the Principal or Assistant Principal
- Supporting documentation for expenditures were not maintained
- Cash receipt numbers were not referenced on the bank deposit ticket
- Bank reconciliations were not signed by the preparer and/or reviewer

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AUDIT FINDINGS (continued)

Cause

The school official stated that she was unaware of the requirement to use certain forms for cash receipts and check requests as outlined 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, 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

**Parker PK-8
Elementary School**

Memo

To: **Mr. Dennis Johnson, Audit Manager, Office of the Auditor General**
From: Le Dora Scott, Principal, Parker Pk-8 Elementary School
CC: **Mr. Derrick Coleman, Regional Superintendent**
Date: September 11, 2009
Re: School Audit Report - Parker

Dear Mr. Johnson,

As per the School Audit Report for Parker School, I concur with the following findings:

- **Receipts were not recorded in pre-numbered duplicate receipt book**
- **Disbursements were not approved by Principal or Assistant Principal**
- **Supporting documents for expenditures were not maintained**
- **Cash receipt numbers were not referenced on bank deposit ticket**
- **Bank reconciliations were not signed by preparer and/or reviewer**

As part of developing and implementing a corrective action plan, I have reviewed the “School Administrative Financial Manual” to assist in addressing compliance. The corrective action plan goals are to provide good documentation, maintain paper copies, use required forms, and required processing for all records and transactions.

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MANAGEMENT RESPONSE (continued)

My corrective action plan as principal is to ensure that all staff responsible for financial transactions, are trained on the District policy for cash management activities, as detailed in the "School Administrative Financial Manual 2006-07" (pages 15 – 21). The teaching staff will be in-serviced on cash receipt and cash disbursement management activities as well as receive "hard copies" of required forms in the staff handbook 2009-2010. In addition, I will ensure that all staff is aware of where current District policies are stored on the intranet and location of appropriate contact information of staff in Central Office personnel responsible for assisting in the accounting process.

The corrective plan is effective July 2, 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.

This report is intended solely for management and should not be used for any other purpose. This restriction is not intended to limit the distribution of the report which is a matter of public record

A handwritten signature in blue ink, appearing to read 'Odell W. Bailey', is positioned above the printed name.

Odell W. Bailey, CIA
Auditor General