

# **Detroit Public Schools Office of the Auditor General**



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## **FINANCIAL RELATED AUDIT OF PRIEST ELEMENTARY SCHOOL School Year 2008-09**

**REPORT NO: 09-159**

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**REPORT DATE: June 30, 2009**

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**DETROIT PUBLIC SCHOOLS  
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**BACKGROUND**

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For School Year 2008 - 2009, 760 students enrolled at Priest Elementary School which has grade levels Pre-Kindergarten through Fifth. Ms. Beverly Tolliver was the Principal during this time period and has been serving in this capacity for the past nine years. Currently, the bookkeeping duties are being performed by Ms. Lisa Billops, Assistant Principal. Ms. Billops assumed these responsibilities during the current school year from Haynes, Maufus & Davis, LLC, a third-party bookkeeper.

Priest Elementary School maintains one commercial checking account with Comerica Bank. Primary sources of General School Funds include fundraisers, community donations (United Way, MEEMIC Insurance, Target), and district grants (Skillman). The primary source of District Fund Revenues is the lunchroom collections.

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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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**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 Receipts from General and District School Funds (July 2008 – March 2009)**

<b>ACCOUNT TYPE</b>	<b>AMOUNT</b>
<u>Commercial Checking Deposits</u>	\$ 21,066

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**AUDIT RESULTS IN BRIEF**

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

- Disbursements were not approved by the Principal or Assistant Principal
- Supporting documentation for expenditures were not maintained
- Cash receipt numbers or individual amounts were not referenced on the bank deposit ticket
- Bank reconciliations were not signed by the preparer and/or reviewer
- Bank reconciliations were not prepared

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

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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)

The following non-compliance issues were noted:

- Disbursements were not approved by the Principal or Assistant Principal
- Supporting documentation for expenditures were not maintained
- Cash receipt numbers or individual amounts are not referenced on the bank deposit ticket
- Bank reconciliations were not signed by the preparer and/or reviewer
- Bank reconciliations were not prepared

**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.

**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 2006-2007.

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**

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## Memorandum

**To:** Dennis Johnson, Audit Manager  
**CC:** Diane Fleming, Regional Superintendent  
**From:** Lisa Billops, Principal Priest Elementary  
**Date:** 9/11/2009  
**Re:** School Audit Finding – 2008-09

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Please find below the responses to the audit results:

### **Disbursements were not approved by the Principal or Assistant**

#### **Principal**

- Check requests will be issued from the Principal, Lisa Billops to be completed by the staff member then signed by Mrs. Billops. If Mrs. Billops is not available, the same procedure will be completed by Ms. Buendia, Assistant Principal.
- When approved, the secretary Mrs. Katherine Thompson will then cut and sign the check, along with Mrs. Billops. Ms. Buendia has signing privileges only if Mrs. Billops or Mrs. Thompson is unavailable.
- A copy of the check request and receipt will go into the file box by the month (kept in the principal's office), in the accounting binder, (kept in the vault) and to the staff member.

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**MANAGEMENT RESPONSE (continued)**

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**Supporting documentation for expenditures were not maintained**

- Checks will not be issued without a receipt. A copy of the request and receipt will be placed in the file, accounting binder and returned to the staff member.

**Cash receipt numbers or individual amounts are not referenced on the bank deposit ticket**

- A receipt book with triplicate pages is now used. The first (white) page goes to the depositor. The second (yellow) is attached to the copy of the bank deposit ticket and the third (pink) stays in the book.
- The deposit ticket copies along with the yellow receipt copies and the receipt ledger are also filed by the month in the file box.
- A tape of each deposit is filed with a copy of the bank deposit ticket.
- Receipt numbers are recorded in the Total Armored Car Service Deposit Receipt Book with each pick-up.

**Bank reconciliations were not signed by the preparer and/or reviewer**

- All bank reconciliations and ledgers will be sent to the Office of Accounting by the 15<sup>th</sup> day of the following month. They will be signed by the preparer and the reviewer and kept on file in the accounting record book.

**Bank reconciliations were not prepared**

- All bank reconciliations will be prepared and sent to the Office of Accounting by the 15<sup>th</sup> day of each month.

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**MANAGEMENT RESPONSE (continue)**

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**Cash Management System Procedures Personnel and Procedures:**

1. Issues and signs check requests: Lisa Billops  
(primary) Josette Buendia (secondary)
2. Processes checks: Katherine Thompson
3. Check signers: Lisa Billops, Katherine Thompson,  
Josette Buendia (secondary)
4. Receipts all income: Lisa Billops
5. Counts and prepares cash and checks for Total  
Armored Car pick-up: Secretary # 2
6. Completion of bank reconciliation and ledger: Lisa  
Billops  
  
Josette Buendia (back-up)

**Priest Elementary Staff:**

Lisa Billops, Principal

Josette Buendia, Asst. Principal

Katherine Thompson, Secretary

Vacancy, Secretary # 2

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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.



Odell W. Bailey, CIA  
Auditor General