

**Detroit Public Schools
Office of Auditor General**



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

REPORT NO: 09-168

REPORT DATE: June 2009

**DETROIT PUBLIC SCHOOLS
SCHULZE ELEMENTARY
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BACKGROUND

For School Year 2008 – 2009, approximately 637 students were enrolled at Schulze Elementary School, which has grade levels Pre-Kindergarten through Sixth Grade. Dr. Brenda Lyons was the Principal during this time period and has been serving in this capacity since 2008.

Ms. Mitchell is the Head Secretary and has been performing the bookkeeping duties for Schulze Elementary since 2003.

Schulze Elementary maintains a commercial checking account with Chase Bank. Primary sources of General School Funds include fundraising activities, special project funding (for example, Skillman Grant) and 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, 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>	\$44,942

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted control weaknesses related to compliance with District cash management policies, specifically

- The lack of proper documentation for fundraising activities.

The detail of the finding and recommendations are included in the Audit Findings Section of this report.

Achievement

It should be noted that Schulze Elementary is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as an Aspiring School. This indicates that they have met criteria such as: (1) Improved MEAP scores with a 5% increase over the prior year; (2) Have an average performance in English, math and Science; and (3) Sufficient parental and community partnerships, etc.

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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.

Fund Raising Activity Profit and Loss Statements were not completed for District approved fundraising events.

Cause

School official stated that she was unaware of the District’s SAFM and its requirement to complete Profit and Loss (P/L) statements for fundraisers.

Effect

Lack of adherence to District policies can lead to inconsistent practices resulting in processing inefficiencies and 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.

MANAGEMENT RESPONSE

Management responses provided by Dr. Brenda Lyons, Principal:

I have corrected the statements because I am aware and anyone that does fundraising knows to complete a fundraising form which has an attachment of profit loss statements. Documentation was available at the time of the audit as well.

As Principal of Schulze, I believe we met the objectives of the audit and I was told our school did very well in the audit process. As a first year Principal, we followed all the rules. However, if there are new policies and procedures put in place, then I would like to be trained in the new policies and procedures.

Office of the Auditor General Response:

Documentation was not provided when requested during the audit.

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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