

Detroit Public Schools Office of the Auditor General



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

REPORT NO: 09-184

REPORT DATE: June 30, 2009

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BACKGROUND

For School Year 2008 – 2009, 567 students were enrolled at Vetal Elementary School, which has grade levels Pre-Kindergarten through Eighth Grade. Mr. Eric George was the Principal during this time period and has been serving in this capacity since September 2008.

Ms. Shelly Heard, Head Secretary, performs the bookkeeping duties for Cash Receipts and has done so since September 2008 with the assistance of Ms. Peggy Loop, Curriculum Coordinator which handles the bookkeeping for Cash Disbursements; she has worked in that capacity since September 2008 as well.

Vetal Elementary maintains a commercial checking account with Chase Bank. Primary sources of General School Funds include student activities, special project funds (i.e., Skillman Grant). 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>	\$15,957

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, bank reconciliation were not completed for the period of July 2008 through March 2009

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

Achievement

Vetal 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.

Bank reconciliation were not completed for the period of July 2008 through March 2009

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 polices 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


I, Eric George, Principal will 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". Furthermore, a copy of the School Administrative Financial Manual will be giving to each staff member responsible for financial transactions.

I will also ensure that all individuals involved in the cash management process are aware that the current District polices 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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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