

# Detroit Public Schools Office of the Auditor General



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

**REPORT NO: 09-191**

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**REPORT DATE: June 30, 2009**

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**DETROIT PUBLIC SCHOOLS  
WILKINS ELEMENTARY SCHOOL  
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**BACKGROUND**

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For School Year 2008 – 2009, 435 students were enrolled at Wilkins Elementary School, which has grade levels Pre-School through Sixth Grade. Mr. Milton Andrews was the Principal during this time period and has been serving in this capacity since 1997.

Ms. Lula Hurt, Administrative Assistant, performs the bookkeeping duties since April 2009. Prior to this school year, bookkeeping services were performed by an outside bookkeeper, Ms. Weatherspoon.

Wilkins Elementary maintains a commercial checking account with Chase Bank. Primary sources of General School Funds include special project funds (i.e., Skillman Good Schools Grant). 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.

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**SCOPE & METHODOLOGY (continued)**

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- 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.

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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)**

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$39,777

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**AUDIT RESULTS IN BRIEF**

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

- Pre-numbered duplicate receipts were not utilized
- Bank reconciliations for the school year were not completed
- Receipted checks were not being restrictively endorsed

Achievements

Wilkins Elementary is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as an Improving School. This indicates that they have met criteria such as: (1) Overall improvements over the last two years; (2) Improved MEAP scores with a 10% increase in two subject areas; and (3) Sufficient parental and community partnerships, etc.

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 "School Administrative Financial Manual 2006 -07:" (SAFM) governs the cash management function within the District.

The following non-compliance issues were noted:

- Pre-numbered duplicate receipts are not utilized
- Bank reconciliations were not completed for the period of July 2008 through April 2009
- Receipted checks are not being restrictively endorsed

**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.

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**MANAGEMENT RESPONSE**

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The following are areas of compliance and control weaknesses reported by Mr. Odell W. Bailey, Auditor General.

1. Pre-numbered duplicate receipts are not utilized.
2. Bank reconciliations for the school year were not completed
3. Receipted checks are not being restrictively endorsed.

Let me begin by saying all of the above finding are accurate. For the past several years we employed a Ms. Weatherspoon, an outside bookkeeper who kept us in compliance as she operated within her knowledge of the School Administrative Financial Manual (SAFM). Last school year ( 2008-09) our funds used to pay Ms Weatherspoon were eliminated without our knowledge. We were expecting Ms. Weatherspoon to pick up our bank statements as she did every other month in past years. I was not informed until January of 2008, that we no longer had her service. At that time I instructed Ms. Hurt , secretary , to begin keeping the books. Her limited knowledge , as well as my inability to recall how to keep the books resulted in the negative findings by the Audit General.

Corrective Actions

- 1.I will make every affordable effort to hire an outside bookkeeper
- 2.Provide Professional Development to train involved staff on the District Policies for cash management.(SAFM)

My objective as it concern my fiduciary responsibility, is to develop an effective cash management system that will limit any risk of theft, misuse and /or misappropriation of General School and District Funds .


Educationally Yours,

Milton Andrew, Principal Wilkins Elementary

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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