

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF COOLEY HIGH SCHOOL School Year 2008-09

REPORT NO: 09-045

REPORT DATE: June, 2009

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BACKGROUND

For School Year 2008 – 2009, 1000 students were enrolled at Cooley High School which has grades Ninth through Twelfth. Mr. Thomas Woodhouse was the Principal during this time period and has been serving in this capacity since July 2001.

Mr. Bernard Davis performs the bookkeeping duties and has been doing so for six years.

Cooley High School maintained two commercial checking accounts: (1) Chase Bank account for general school funds and (2) Michigan First Credit Union for scholarship funds. Primary sources of General School Funds included student activities, fundraising activities, vending revenue, fines and fees (i.e., library, school replacement IDs, lost/damaged books, etc.) and special project funding (Skillman, Title I & Section 31A). 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>	\$57,308

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted the following control weaknesses:

- Non-compliance with District policy requiring bank reconciliations to be signed and dated.
- Lack of evidence that athletic cash receipts and disbursements were processed.

The detail of findings and recommendations are included in the Audit 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.

Bank reconciliations were not signed by the Preparer and Reviewer, evidencing timely preparation and proper management review.

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AUDIT FINDINGS (continued)

Cause

Lack of adherence to existing District polices (i.e., 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 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.

2. Finding – Inadequate Controls Over Athletic Receipts and Disbursements:

The “School Administrative Financial Manual 2006 -07” (SAFM) governs the cash management function within the District.

While the basketball schedule published on the DPS website indicates there were a minimum of five games with at least one being held at Cooley High School, the auditors were told that there were no cash receipts or disbursements related to athletics.

Cause

Lack of adherence to existing District polices (i.e., SAFM)

Effect

The appearance that assets (cash) has been misappropriated. The evidence indicates that a number of athletic events occurred which, under normal circumstances, would generate cash receipts for the school, but according to school officials no cash receipts were generated for athletic events.

Recommendation

To the extent that any future athletic events are held at the school, but no fees will be charged and thus no cash receipts will be generated, the principal should document through a memo at the time of the event that no cash receipts were generated. If such documentation exists for the school year in question, provide such documentation to the audit team for review.

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MANAGEMENT RESPONSE

MEMORANDUM

TO: Mr. Odell Bailey, General Auditor

FROM: Derrick R. Coleman, Assistant Superintendent

DATE: July 13, 2009

SUBJECT: Cooley High School Financial Related Audit

This communication is written as a response to the audit findings on Cooley High School. Principal Thomas Woodhouse retired effective July 1, 2009.

The audit results in brief discovered that Cooley High School has control weaknesses related to cash receipts, cash disbursements, and bank reconciliations. The process of budgeting for Detroit Public Schools was established by the (DPS) Schools Administrative Financial Manual in (2006). Board records indicate that many principals have not been in-serviced on the SAFM manual.

Finding – Inadequate Controls Over Athletic Receipts and Disbursements:

The “School Administrative Financial Manual 2006 -07” (SAFM) governs the cash management function within the District. While the basketball schedule published on the DPS website indicates there were a minimum of five games with at least one being held at Cooley High School, the auditors were told that there were no cash receipts or disbursements related to athletics. Cooley High School is in non-compliance with District policy requiring bank reconciliations which must be signed and dated. Also, there is a lack of evidence that athletic cash receipts and disbursements were processed.

Cooley High School has been identified for redesign and a principal search is currently in process. The following actions are recommended for the newly appointed principal respective to the findings outlined in the audit review.

Recommendation

The newly appointed Principal shall ensure that all staff responsible for financial transactions, are trained according to the District policy for cash management activities, as detailed in the “School Administrative Financial Manual 2006-07. In addition, the newly appointed principal shall 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.

To the extent that any future athletic events are held at the school, but no fees will be charged and thus no cash receipts will be generated, the principal should document through a memo at the time of the event that no cash receipts were generated. If such documentation exists for the school year in question, provide such documentation to the audit team for review.

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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