

Detroit Public Schools
Office of the Auditor General



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

REPORT NO: 09-040

REPORT DATE: June 30, 2009

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BACKGROUND

For School Year 2008 – 2009, approximately 1060 students were enrolled at Cody High School which has grades tenth through twelfth. Mr. Johnathon Matthews was the Principal during this time period and has been serving in this capacity since July 2008.

Ms. Annie O’ree, Secretary, performs the bookkeeping duties and has been doing so for twenty years.

Cody High School maintained a commercial checking account with Comerica Bank. A savings account was closed in June 2008 with the balance of funds transferred to the checking account. Primary sources of General School Funds included student activities, fundraising activities, donations (Target), vending revenue, fines and fees (i.e., library, school replacement IDs, lost/damaged books, etc.) and special project funding (Skillman & Title I). Sources of District Fund Revenues include Food Services (i.e., lunchroom), athletic game receipts, Extended Day and Summer School.

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.

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.

FINANCIAL SUMMARY

Table 1.1: Cash Receipts from General and District School Funds (July 2008 – March2009)

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$133,698

AUDIT RESULTS IN BRIEF

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

- Athletic event concession workers were paid from sales proceeds, as opposed to issuing a check.
- Extended Day reimbursements were made from funds collected, as opposed to issuing a check.
- Receipts were not provided when cash collected was less than \$10 (e.g., locks, transcripts, etc.)
- Supporting documentation was not maintained for all check disbursements.

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

Achievements

Cody High School is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as an Emerging School. This indicates that they have met criteria such as: (1) Demonstrating the ability to assist students in obtaining satisfactory ACT and SAT scores; (2) Offering college prep curricula to most students; and (3) Having strong graduation and grade-level-retention rates, etc.

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:

- Athletic event concession workers were paid from sales proceeds, as opposed to issuing a check.
- Extended Day reimbursements were made from funds collected, as opposed to issuing a check.
- Receipts were not provided when cash collected was less than \$10 (e.g., locks, transcripts, etc.)
- Supporting documentation was not maintained for three check disbursements totaling \$2,766.75.

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, 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

In regards to the Frank Cody H.S. Financial Related Audit the following response should be noted:

The following non-compliance issues were noted:

- Athletic event concession workers were paid from sales proceeds, as opposed to issuing a check.

Response: The school bookkeeper shall be responsible for all payments distributed and issued by school check

- Extended Day reimbursements were made from funds collected, as opposed to issuing a check.

Response: All reimbursements shall distributed and issued by school check

- Receipts were not provided when cash collected was less than \$10 (e.g., locks, transcripts, etc.)

Response: All purchases shall be managed in the bookstore and provided a receipt.

- Supporting documentation was not maintained for three check disbursements totaling \$2,766.75.

Response: The identified checks were misplaced during the audit and located in the improper order. Files have been stored for further review

The above actions will be implemented for the 2009-2010 school year.

Sincerely,

Johnathon Matthews


Principal

Cody H.S.

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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