

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF CROCKETT CAREER AND TECHNICAL CENTER School Year 2008-09

REPORT NO: 09-050

Report Date: June 30, 2009

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**DETROIT PUBLIC SCHOOLS
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BACKGROUND

For School Year 2008 - 2009, 852 students were enrolled at Crockett Career and Technical Center which has grade levels 9th through 12th. Ms. Brenda Belcher is the current Principal and has been serving in that capacity since 2005.

Ms. Vania Moore, Clerical III, performs the bookkeeping duties and has been doing so since February 2009. For the balance of the school year, the bookkeeping duties were performed by: Ms. Franklin, Substitute Secretary, from August 2008 through March 2009 and Mr. Gary Moore, Clerical III, in August 2008.

Crockett Career and Technical Center maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include program fees (cosmetology and nursing), small class project fundraisers, district grants and added cost funds. Sources of District Fund Revenues include Food Services (i.e., lunchroom), and athletic gate receipts

AUDIT OBJECTIVES

The objectives of the audit were to ensure that the:

- 1) 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

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 ledgers did not exist, transaction activities were derived by totaling cash receipts and reviewing the check register for cash disbursements.

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SCOPE & METHODOLOGY (continued)

- 4) Completed a cash receipt ledger template: The ledger was designed to identify funds, which may have been received but not deposited. Research was performed as necessary.
- 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 example, 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

FINANCIAL SUMMARY

Table 1.1: Cash Receipts from General School and District Funds (July 2008 – March 2009)

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$74,153

AUDIT RESULTS IN BRIEF

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

- Non-compliance with District cash management policy:
 - Checks are written to “Cash.”
 - Pre-numbered duplicate receipt forms (AC-1 forms) were not issued at the time cash was received.
 - Pre-numbered duplicate receipt forms (AC-1 forms) were not issued in sequential order.
 - Funds received were not recorded in the General Ledger.
- Petty cash fund was maintained without appropriate financial records.
- Athletic receipts and Fines collected are not deposited into the District’s Revenue Account.

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

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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 process.

The following non-compliance issues were noted:

- Checks were written to “Cash.”
- Pre-numbered duplicate receipt forms (AC-1 forms) were not issued at the time cash was received.
- Pre-numbered duplicate receipt forms (AC-1 forms) were not issued in sequential order.
- Funds received were not recorded in the General Ledger.

Cause

Checks were written to “Cash” to replenish the “Petty Cash Fund” maintained by the school. In addition, funds totaling \$3,912.04 were deposited into the school account; however, there were no ledger entries to support the receipt of these amounts.

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 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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AUDIT FINDINGS (continued)

2. Finding – Petty Cash Fund Maintained without Appropriate Financial Records:

The “School Administrative Financial Manual 2006 -07:” (SAFM) governs the maintenance of petty cash funds including required documentation:

The following documentation was not maintained:

- Approval for reimbursements from the fund, and
- Supporting documentation for expenditures from the fund.

Cause

School officials did not comply with District policies. They stated they were aware of the District’s SAFM, however they had limited knowledge of the requirements to use certain forms for cash activities.

Effect

The school funds are more susceptible to fraudulent transactions when there is insufficient recordkeeping and supporting documentation.

Recommendation

The Principal should ensure that all appropriate records related to petty cash activity are maintained in compliance with District policy.

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AUDIT FINDINGS (continued)

3. Finding – Athletic Game Receipts and Fines Were Not Forwarded to the District:

The “School Administrative Financial Manual 2006-07” (SAFM) governs the cash management function within the District including specific procedures for district revenue: “The District uses a blue Revenue deposit ticket. The blue deposit tickets are used for collection of funds from fines, summer school, extended day, athletics and other revenue.” The SAFM also states that “the school acts as the agent, collecting monies for the School District... Funds deposited into this account are:

- a. Lunchroom receipts
- b. Fines
- c. Athletic/league game receipts
- d. Summer school tuition
- e. Evening school tuition...”

Athletic game receipts and lost book fines were not forwarded to the District revenue account. Although it is common practice to deposit athletic game receipts and lost book fines into the school checking account, this is not in compliance with policy.

Cause

Lack of adherence to District policies.

Effect

Lack of adherence to applicable policies and proper accounting practices could result in the District’s inability to fully access and utilize all available funds in an optimum manner. While the District realizes the expense portion of athletic financial transactions via the school’s submission of an AC-24 form with its relevant costs, and replacement textbooks are through the schools budget on the PeopleSoft system, it does not have the benefit of processing the revenue side of the financial transactions.

Recommendation

The Principal should ensure that all financial activity related to gate receipts and lost textbooks (i.e., revenue and expenses) are processed in accordance with established policies and procedures.

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MANAGEMENT RESPONSE

Management response provided by Ms. Brenda Belcher, Principal:

DETROIT PUBLIC SCHOOLS

M E M O R A N D U M

To: Dennis Johnson, Office of the Auditor General

CC: Rebeca Luna, Assistant Superintendent

From: Brenda Belcher, Director, Crockett Career and Technical Center

Date: September 5, 2009

Subject: Management Response – Financial Related Audit


I read the Financial Related Audit Report very closely and with much interest as the newly assigned Director of Crockett Career and Technical Center. Moving forward, specific actions have already been taken to ensure internal accounting controls are effective throughout Crockett Career and Technical Center.

The non-compliance issues raised in the Financial Related Audit Report have been addressed and will continue to be monitored by the administrative team. More specifically, the administrative team has developed a Financial Training Manual that adheres strictly to the District's School Administrative Financial Manual (SAFM). At the opening of school's meeting, all staff members were provided with a copy of Crockett Career and Technical Center's Financial Manual. This manual addresses the items raised in the audit findings and further details the cash receipts policy and cash disbursement policy. Included in this manual are also related documents and forms. Thereby, it is expected that all personnel will comply with the policies and procedures outlined in the Financial Manual to ensure that general school funds are safeguarded and used for its intended purposes.

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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