

# Detroit Public Schools Office of the Auditor General



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## FINANCIAL RELATED AUDIT OF RENAISSANCE HIGH SCHOOL School Year 2008-09

**REPORT NO: 09-162**

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**REPORT DATE: June 30, 2009**

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**BACKGROUND**

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For School Year 2008 – 2009, 1,035 students were enrolled at Renaissance High School, which has grade levels Ninth through Twelfth Grade. Ms. Gail Russell-Jones was the Principal during this time period and has been serving in this capacity since 2007.

Ms. Darlene Barber, performs the bookkeeping duties and has done so since 2008.

Renaissance High School maintains three commercial checking accounts, two with Chase Bank and one with Bank of America. Primary sources of General School Funds include student activities and special revenue (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>	\$ 283,407

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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,

- Non-compliance with District cash management policy and/or ineffective practices
  - Bank reconciliations were not completed for the period of review
  - Supporting documentation was not present to verify concession sales
  - Supporting documentation was not completed to verify athletic receipts
- Inappropriate Expenditure Process for Athletic Games

Achievement

Renaissance High School is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as a ***High Performing School***. This indicates that they have met criteria such as: (1) Meeting or exceeding grade-level expectations in English, math and science; (2) Offering challenging curricula to all students; and (3) Demanding consistent attendance and punctuality from all students, 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.

Non-compliance with District cash management policy and/or ineffective practices

- Bank reconciliations were not completed for the period of review
- Supporting documentation was not present to verify concession sales
- Supporting documentation was not complete to verify athletic receipts

**Cause**

Officials were unaware of the District’s SAFM and therefore were not aware of certain forms and requirements for cash management activities including athletic receipts.

**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.

**2. Finding - Inappropriate Expenditure Process for Athletic Games:**

The “School Administrative Financial Manual 2006 -07” (SAFM) requires expenses to be paid by issuing a check:

According to the Athletic Director, he uses personal funds to purchase supplies, including food for the concession stand prior to each game. However, after a game, the Athletic Director repays himself from the gross receipts from concession sales.

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**AUDIT FINDINGS (continued)**

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**Cause**

School officials did not comply with District policies.

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**Effect**

Financial records were incomplete and concession receipts were susceptible to misuse and/or misappropriation.

**Recommendation**

The Principal should ensure that all:

- Cash receipts (i.e., game ticket and concessions sales) are submitted to the bookkeeper and documented on pre-numbered duplicate receipt forms,
- Cash receipts and disbursements are accurately recorded in the school ledger, and
- Expense payments are made with school checks (e.g., payments to officials, ticket takers, ticket sellers and the cost of concession)

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**MANAGEMENT RESPONSE**

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Management response provided by Ms. Russell-Jones, Principal.

**1. Response to Finding-School Administration Financial Manual Non-Compliance:**

When the principal, Ms. Gail Russell-Jones, was appointed in 2007, there was no bookkeeper, and one was not appointed until January, 2008. When she requested an audit, she was told that the district did not have an auditor at the time. The bookkeeper, Ms. Darlene Barber, was told the same when she requested an audit once appointed to the bookkeeping position at Renaissance.

Neither individual was ever informed of or referred to the *School Administrative Financial Manual 2006-2007* when inquiring about procedures or assistance in reconciling bank accounts. Although the principal and bookkeeper were not aware of the manual, based on the bookkeepers experience and prior knowledge, there is a procedure in place to manage and account for cash funds and receipts. Now that the account has been reconciled for 2008-2009, the bookkeeper will complete bank reconciliations as required and in the SAFM.

Since the audit, the Principal has located the *School Administrative Financial Manual 2006-07* on the intranet. She will ensure that all staff responsible for financial transactions are trained on District policy for cash management activities as detailed in the *SAFM*. Staff involved in the cash management process will be made 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.

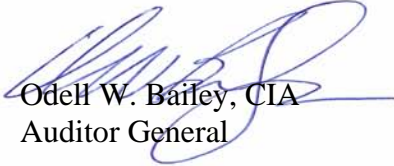
**2. Response to Finding – Inappropriate Expenditure Process for Athletic Games:**

Since the audit, the principal and bookkeeper have ensured that all cash receipts for athletic events are to be submitted to the bookkeeper and documented, as they always have been, on pre-numbered duplicate receipt forms. The athletic director is now to receive a “start up” check to purchase supplies, food for the concession, etc., prior to each game. All receipts will be submitted to the bookkeeper, who will accurately record them in the school ledger. Expense payment to officials, ticket takers, concessions, etc. will be made by school check.

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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