

**Detroit Public Schools
Office of the Auditor General**



**FINANCIAL RELATED AUDIT
FOLLOW UP
OF
ERMA HENDERSON ACADEMY
School Year 2010-11**

REPORT NO: 11-029

REPORT DATE: November 9, 2011

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REPORT NO: (11 - 029)**

Audit Objectives

The objective of the follow-up audit was to determine if corrective actions have been taken to address significant findings in the June 30, 2009 audit report.

Scope & Methodology

The audit scope covered the 2010-2011 School Year-ending June 30, 2011. Inquires were made with the principal and bookkeeper to obtain an understanding of the actions taken to remediate the risk associated with the prior audit findings. Additionally, audit tests were performed to assess the effectiveness of the corrective actions and internal controls.

Background

School Profile

Erma Henderson Academy (Henderson) has one bank account: a checking account maintained at First Independence Bank. General School Funds at Henderson include student activities and fundraising.

Prior Audit

In 2009 financial audits were conducted at all Detroit Public Schools (DPS) to determine the level of compliance with DPS's policies and procedures. The audit covered cash receipts, cash disbursements, bank reconciliation and reporting.

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Previous Audit Finding(s)

Henderson was previously two separate schools; Erma Henderson Upper and Erma Henderson Lower at the time of the 2009 audit report. Therefore, the findings of both reports are included below.

Previous Audit Finding(s)	Corrective Action Taken	Corrective Action Partially Implemented	Corrective Action Not Taken / Repeat Finding
(1) Blank checks were endorsed prior to check requests.		√	
(2) Void checks were improperly voided.	√		
(3) Receipt numbers were not referenced in the school ledger.	√		
(4) Receipts were not always issued sequentially.		√	
(5) Multiple receipt books were utilized.	√		
(6) Check forms were not used to request check issuance	√		
(7) Documentation was not retained to support check disbursements.	√		
(8) Bank reconciliation was not prepared.	√		
(9) Bank reconciliations were not signed and dated by a Preparer or Reviewer.	√		
(10) Fundraising documentation was not completed.			√
(11) One fundraising event permitted the vendor to be paid from the sales proceeds, as opposed to issuing a check.	√		
(12) Checks not signed by two authorized signers.	√		
(13) Checks were written out of sequence.	√		
(14) Bank reconciliations not prepared.	√		
(15) No ledger maintained	√		

Audit Conclusion

Based on our review and testing, Erma Henderson Academy has implemented corrective actions for several prior audit findings, as follows:

- (2) Checks were appropriately voided and retained in the school records.

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- (3) Receipt numbers were referenced on the school ledger.
- (5) One receipt book is being maintained for all amounts recorded in the school ledger.
- (6) The Principal formally approves all cash disbursements on check request forms.
- (7) Supporting documentation is available for disbursements.
- (8) Bank reconciliations were available for the audit period.
- (9) The bank reconciliations were signed by the preparer and approved by the Principal.
- (11) A school check was issued for the fundraiser that required vendor payment.
- (12) Checks were signed by two authorized signers.
- (13) Checks were written in sequential order.
- (14) Bank reconciliations were prepared for the audit period.
- (15) Ledgers were maintained during the audit period.

The following prior audit findings are partially implemented:

- (1) A check was issued with two authorizing signatures but the amount was left blank. District policy requires each check to be completely filled out prior to leaving the school.

RECOMMENDATION(S)

We recommend that the Principal ensure all of the required information is documented on each check prior to signature and issuance.

- (4) Two receipt forms within a series were dated out of sequence.

We recommend the Principal instruct staff members to issue receipts in sequential order, to ensure accountability over funds collected.

The following prior audit finding was not corrected:

- (10) A Fundraiser Approval Form or Fundraiser Profit and Loss Statement were not completed for a fundraiser held at the school.

RECOMMENDATION(S)

We recommend the Principal ensure the required documentation is received and submitted to the Grant Compliance for each fundraiser held at the school, in compliance with district policy.

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Observations

During our review, we noted the following circumstances that were not included in the 2009 audit report. However, to ensure financial accountability and compliance with district policy the following warrant the Principal's attention:

- On several occasions, the cost of an Armor Car pick-up is greater than the funds deposited. The Principal should contact Cash Management to determine if alternative pick-up times can be imposed to balance the cost and security of funds being deposited.
- An expenditure documented on a check request approval form was actually for the issuance of cash. All school expenditures should be transacted with a school check, in accordance with district policy.
- A check deposited into the school account was not documented on a receipt form. All funds received should be recorded on a receipt form, in compliance with district policy.

Management Response

Previous Audit findings - Corrective Action Partially Implemented

1. Blank checks were endorsed prior to check:

Correction: All checks will be documented with the dollar amount prior to school trips to ensure required information is included.

4. Receipts were not always issued sequentially:

Correction: Clerical will be instructed, provided, and monitored when given one receipt book to ensure funds collected are recorded in sequential order.

10. Fundraising documentation was not completed:

Correction: Fundraiser forms will be sent to State & Federal Grant Department and Assistant Superintendent prior to date of fundraiser for approval.

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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

A handwritten signature in blue ink, appearing to read 'O. Bailey', is positioned above the printed name.

Odell W. Bailey, CIA
Auditor General