

# Detroit Public Schools Office of the Auditor General



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## FINANCIAL RELATED AUDIT FOLLOW UP OF SOUTHEASTERN HIGH SCHOOL School Year 2010-11

**REPORT NO: 11-025**

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**REPORT DATE: October 31, 2011**

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**SOUTHEASTERN HIGH SCHOOL  
FINANCIAL AUDIT FOLLOW-UP REPORT  
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**Audit Objectives**

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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.

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**Scope & Methodology**

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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.

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**Background**

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School Profile

Southeastern High School (Southeastern) has one bank account: a checking account maintained at First Independence Bank. General School Funds at Southeastern include, student activities, fundraising, local grants and vending machines. Sources of District Fund Revenues include Food Service (i.e., lunchroom) and athletics.

Prior Audit

In 2009, the OAG conducted financial audits 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)**

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Previous Audit Finding(s)	Corrective Action Taken	Corrective Action Partially Implemented	Corrective Action Not Taken / Repeat Finding
Cash was not verified/ counted at the time of receipt.		√	
Receipts were not provided at the time of the cash exchange.		√	
Athletic concession workers were paid cash, as opposed to requesting a check.			**
The financial records for concession sales were inadequate.			√

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**Audit Conclusion**

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Management implemented policies that required the verification of cash upon receipt and the use of a duplicate receipt book. Based on our review, Southeastern High School partially implemented corrective actions to address the following two prior audit findings:

- Pre-numbered duplicate receipt forms are prepared at the time funds are collected. OAG received verbal confirmation that funds are recounted upon receipt. However, verification of the amount of funds exchanged between the bookkeeper and remitter is not properly evidenced because both signatures do not appear on the duplicate receipt form.
- Duplicate copies of pre-numbered duplicate receipt forms were removed from the receipt book. OAG received verbal confirmation that receipts are issued to individual upon the exchange of funds. However, verification of the issuance of receipt forms to remitter is not properly evidenced because both signatures do not appear on the duplicate receipt form.

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**RECOMMENDATION**

We recommend that all remittances of cash and checks from an individual to the bookkeeper be evidenced by the signature of the remitter and bookkeeper on the duplicate receipt form, thereby providing a level of assurance that the exchange was recorded properly, accurately and timely.

Additionally, corrective action was not taken to remediate the following conditions regarding Concession Sales:

- **\*\*Profit and Loss Statements** were not available for review and therefore OAG could not determine how or if concession workers were paid. The Principal indicated that all concession workers were un-paid volunteers.
- Concession sales at athletic events are not documented in compliance with the School Financial Procedures Manual. Concession sales are fundraisers which should be pre-approved and a Profit and Loss Statement completed.

**RECOMMENDATION**

We recommend management ensure full compliance with the School Financial Procedures Manual as it relates to concession sales approval, expenditures and financial statements.

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**Management Response**

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A response from management:

In response to the audit findings regarding athletic concession workers paid in cash. The following has taken place: We now have an in-house Athletic Coordinator who will sign off on the Responsibilities of Sponsors of Activity Accounts form created by the board auditors. The form stipulates that concession workers are to be paid by check and not by cash.

In regards to financial records for concession sales the aforementioned form requires that adequate financial records are kept for concession sales. I believe the implementations of these strategies will help to correct the findings.

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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