



DETROIT PUBLIC SCHOOLS
Office of Inspector General

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AUDIT REPORT

TO: William Aldridge, Chief Financial Officer
Karen Ridgeway, Superintendent of Academics
Charlene Mallory, Director, Breithaupt Career and Technical Center

CC: Roy S. Roberts, Emergency Manager
Kevin A. Smith, Chief of Staff, Emergency Manager
Delores A. Brown, Deputy CFO and Chief Accounting Officer
Rebeca Luna, Assistant Superintendent

THRU: Wilbert V. Marsh, Inspector General
Odell Bailey, Deputy Inspector General - Audits

FROM: Bernadette Kakooza, CIA

DATE: April 22, 2013

SUBJECT: Breithaupt Career and Technical Center – Financial Audit

BACKGROUND

Breithaupt Career and Technical Center (Breithaupt CTC) offers college and career preparation pathways for its students; in fields such as Hospitality, Tourism & Culinary services, Automotive Repair services, Cosmetology, Electronics, Welding & Cutting, and Business Administration. 100 percent of the instructional staff are vocationally certified and rated highly qualified in their area of expertise.

Breithaupt CTC enjoys partnerships with business, industry and the community, whose members review curricula, and assist the students in new and innovative techniques currently utilized in the industry. The career center has an enrollment of approximately 397 students in grades 9 through 12; and serves high school students from Detroit Public Schools (DPS), as well as students from charter schools and surrounding districts. Ms. Charlene Mallory has served as Director of the center for 1 year. The bookkeeper is Ms. Bobbie Smith, who has been with Breithaupt for 3 years. Each month, a third party firm contracted through the Division of Finance - Cash Management department (Office of Accounting), prepares the monthly financial reports and bank reconciliations.

The center's financial transactions are processed through First Independence Bank; the district's authorized banking institution. Breithaupt CTC, like other schools, maintains a general checking account to manage money that is collected from and/or raised by the students and school organizations. These funds are referred to as General School Funds, and are considered held in trust for the students' benefit, and generally used to support and offset the expenses for extracurricular and co-curricular student activities. School and bank records indicate that, between July 1, 2011 and December 31, 2012, the center deposited \$137,210.53 in its general checking account and paid out \$138,484.25. As of December 31, 2012, the balance in this account was \$30,257.04.

Breithaupt CTC also has 2 additional bank accounts that were established for specific purposes; one being the Scholarship account, which holds funds donated to support scholarship activities. This account is used for the purpose of rewarding exemplary students, annually, with scholarships for post-secondary tuition, books and or materials/tools for continued educational success. As of December 31, 2012, the balance in this account was \$24,612.21.

The other account, Added Cost account, was created for the purpose of preventing the commingling of reimbursed funds from the state with funds from other sources. Breithaupt CTC receives state funding for the purchase of instructional supplies and materials used in state approved and CTE (Career and Technical Education) compliant programs. The district's Office of College and Career Readiness has oversight over Breithaupt CTC's expenditures from this account and facilitates reimbursements from the state. As of December 31, 2012, the balance in this account was \$794.93.

School personnel are required to ensure accountability and fiscal integrity by complying with district procedures for the receipt, deposit, disbursement, and recording of funds. The district's School Financial Procedures Manual (SFPM) provides specific rules and guidelines for the handling of General School Funds (GSF).

This report summarizes identified internal control deficiencies and noncompliance conditions; which, if not corrected, will adversely affect the overall financial position of the school. We also make recommendations on how internal controls can be improved. Those charged with the responsibility to establish, implement and maintain effective control processes are directly addressed on the first page of this report.

We provided a draft report to the center's Director for review and comment. The Director's written response is included as an appendix to this report. Additionally, relevant comments made by school personnel during the fieldwork process are included in the body of this report.

EXECUTIVE SUMMARY

Our review of Breithaupt Career and Technical Center's receipt and disbursement transactions revealed that internal controls appeared to be adequate. In general, expenditures appeared reasonable, properly approved, and supported by appropriate documentation. Additionally, receipts appeared properly supported by appropriate documentation and accounted for accurately. The Center appeared to be in compliance with cash management policies, where applicable, and with related district regulations and guidelines. In general, school transactions were thoroughly supported and well organized.

However, we did note that the Center has a Certificate of Deposit (CD) account, maintained at the Bank of America. We could not determine the current account balance because no bank statements were available for our review. We were informed that the only individual with access to this account is the center's former Director, Vanessa Spencer, who is currently Executive Director for the Office of College and Career Readiness/Adult Education Program. To our knowledge, no other individual at Breithaupt has control over or access to this account.

With the exception of the above concern, we did not find any significant issues during the audit; and minor issues, deemed not reportable, were discussed with appropriate personnel prior to report issuance.

We have recommended that the center's Director contact the Cash Management department for assistance in closing the CD account, and transferring its available balance to an account with First Independence bank.

OBJECTIVE, SCOPE and METHODOLOGY

Objective

To determine whether school personnel properly managed and administered the school's General School Funds and if monies from the school's account were properly accounted for and spent for the benefit of students; and in compliance with the School Financial Procedures Manual (SFPM).

Scope

The subject matter of our review was the Breithaupt center's cash receipts and disbursements for the period July 1, 2011 through December 31, 2012.

Methodology

To meet our objective, we reviewed supporting documentation for cash receipts and disbursements to assess the use of these funds. We also reviewed the supporting financial ledgers, bank statements and reconciliations to determine whether they supported the completeness and accuracy of the transactions. In addition, we conducted interviews with the Principal and other school personnel involved with financial transactions. Furthermore, we reviewed the regulating policies, School Financial Procedures Manual (SFPM), and the School Administrative Financial Manual (SAFM), to assess the extent to which Breithaupt center is operating in compliance with the school district's financial guidelines and procedures. Our audit was conducted in accordance with generally accepted government auditing standards.

AUDIT FINDING

Maintenance of a Bank Account Outside of District Control

Through response to our preliminary audit survey, we were informed by the center's Director that former director, Vanessa Spencer (Breithaupt Director from 7/1/2002 through 6/30/2012) who is now Executive Director for the DPS Office of College and Career Readiness, maintained a Certificate of Deposit (CD) account with Bank of America. We were unable to determine the current account balance as no bank statements were available for review.

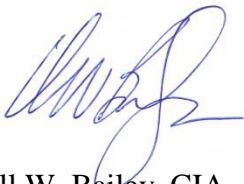
The district's authorized banking institution is First Independence bank. The SFPM indicates that schools are prohibited from establishing accounts with other banking institutions. If indeed this CD account exists, it is a concern since no current employee of the center has access to it, and possibly, the Division of Finance is not aware of its existence. To ensure that school funds are sufficiently protected from erroneous and fraudulent transactions, the Director should contact the Cash Management Department for assistance regarding closure of this CD account.

RECOMMENDATIONS:

We recommend that the Director of Breithaupt CTC:

- Contact the Cash Management Department for assistance regarding closure of the CD account with the Bank of America and transfer of the available balance into an authorized account with First Independence bank.

Our review was performed in accordance with U.S. Government Accountability Office (formerly the 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
Deputy Inspector General for Audit

AUDITEE COMMENTS

DETROIT PUBLIC SCHOOLS

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Breithaupt Career & Technical Center-Financial Audit

April 9, 2013

I am writing to indicate my agreement with the Financial Audit Findings for Breithaupt Career and Technical Center. Upon receipt of the email from the Office of Inspector General (OIG), there were recommendations made to bring Breithaupt in compliance with the District's mission of promoting integrity and credibility, as well as detecting and preventing waste, fraud and abuse.

I contacted Mrs. Spencer (former Breithaupt Director, who was also mentioned in the report) to garner support from her to close the CD account with Bank of America. Mrs. Spencer had been notified in October, 2012 about closing the account and the account was still active until April 9, 2013.

With the assistance and recommendation from the OIG and Cash Management the account has been closed as of April 9, 2013 and the funds have been created in form of a check for pick-up and deposit. The check in the amount of \$1,682.47 will be retrieved on Wednesday, April 10, 2013 from the Office of Cash Management. The check for \$1682.47 was retrieved from the Office of Cash Management on Friday, April 12, 2013 and is being prepared for deposit into Breithaupt's checking account with First of America Bank.

Sincerely,


Charlene Mallory, Director