

Detroit Public Schools
Office of Auditor General



FINANCIAL RELATED AUDIT
OF
BARSAMIAN ALTERNATIVE
EDUCATION HIGH SCHOOL
School Year 2008-09

REPORT NO: 09-005

REPORT DATE: June 2009

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BACKGROUND

For School Year 2008 – 2009, approximately 98 students were enrolled at Barsamian Alternative Education High School, which has grade levels 9th through 12th. Ms. Veita Dennis was the Principal during this time period and has been serving in this capacity for two years. Prior to this assignment, Ms. Dennis was the Assistant Principal at King High School.

Mrs. Janet Wilcoxson, Secretary, is currently performing the bookkeeping functions for Barsamian Alternative Education High School and has been doing so for two years. Prior to this assignment, she performed the bookkeeping function at Chandler Elementary.

Barsamian High School maintained a commercial checking account with Chase Bank. Primary sources of General School Funds included fundraising community donations. Sources of District Fund Revenues include Food Services (i.e., lunchroom).

AUDIT OBJECTIVES

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.

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 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)

- 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.

FINANCIAL SUMMARY

Table 1.1 **Cash Receipts from General and District School Funds (July 2008 – March2009):**

| ACCOUNT TYPE | AMOUNT |
|-------------------------------------|---------------|
| <u>Commercial Checking Deposits</u> | \$2,995 |

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted control weaknesses related to compliance with District cash management policy.

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

AUDIT FINDINGS

1. Finding - School Administrative Financial Manual Non-Compliance:

The “School Administrative Financial Manual 2006 -07:” (SAFM) governs the cash management function within the District.

Pre-numbered duplicate cash receipt books were not used in compliance with the District policy.

Cause

The school official stated that she was unaware of the District’s SAFM and therefore was not aware of the requirement to use certain forms for cash receipts and check requests.

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AUDIT FINDINGS (continued)

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, ensure that all individuals involved in the cash management process are aware of where current District polices are stored on the intranet, as well as appropriate contact information for those Central Accounting Office personnel responsible for assisting in the accounting process.

MANAGEMENT RESPONSE

Management Responses were provided by Ms. Veita Dennis, Principal:

In response to your cited Audit Findings of Barsamian Preparatory Center Cash Management System, "Pre-numbered duplicate cash receipt books were not used in compliance with the District policy," I submit the following:

In compliance with the "Schools Administrative Financial Manual 2006-2007 which governs the cash management function within the District, as of April 2009 Pre-numbered duplicate cash receipt books are being used in addition to the certificate of appreciation and also continued use of the "Request for Payment/Reimbursement Forms.

To ensure compliance with District Cash Management Policy and other District policies, I will continue to keep myself and also individuals responsible for the financial transactions at Barsamian Preparatory Center informed of current District policies.

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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.

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Odell W. Bailey, CIA
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