

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF BURTON INTERNATIONAL SCHOOL School Year 2008-09

REPORT NO: 09-023

REPORT DATE: June 30, 2009

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BACKGROUND

For School Year 2008 – 2009, 626 students enrolled at Burton International School which has grade levels Pre-Kindergarten thru Eighth. Dr. John Wilson was the Principal during this time period and has been serving in this capacity since 2001. The bookkeeping function has been performed since 1992 by Ms. Michele Phillips.

Burton Elementary School maintains one commercial checking account with Comerica Bank. Primary sources of General School Funds include school fundraisers, community donations (Target) and district grants (Skillman). The primary sources of District Fund Revenues are the lunchroom collections and special programs (Head Start preschool program).

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 – March 2009)

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$69,042

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted the following control weaknesses:

- Non-compliance with District cash management policy:
 - Pre-numbered duplicate receipt numbers were not referenced in the cash receipts ledger.
 - Disbursements were not approved by the Principal or Assistant Principal
 - Supporting documentation did not exist for all expenditures.
 - Bank reconciliations were not signed and dated by the preparer or reviewer

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

Achievement:

Burton Elementary School was a recipient of the *Skillman Foundation Good Schools Grant* in 2008, with a designation as a **High Performing School**. This indicates that they met criteria such as: (1) Excel at state exams. Students either meet or exceed grade-level expectations in English, math, and science; (2) Offer challenging curricula to all students; (3) Have strong principal, and teachers committed to seeing students succeed.

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AUDIT FINDINGS

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

The “School Administrative Financial Manual 2006-07” (SAFM) governs the cash management process.

- The following non-compliance issues were noted:
- Pre-numbered duplicate receipt numbers were not referenced in the cash receipts ledger.
- Disbursements were not approved by the Principal or Assistant Principal and supporting documentation for expenditures were not maintained.

MONTH	CHECK NO.	AMOUNT
12/05/2008	6707	180.00
12/10/2008	6704	95.00
01/21/2009	6709	450.00
December	4579	450.00

- Bank reconciliations were not signed and dated by the preparer or reviewer

Cause

Lack of knowledge and adherence to existing District policies (i.e., SAFM.).

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.

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MANAGEMENT RESPONSE

Management responses provided by the Dr. John Wilson, Principal:

August 5, 2009

Attn: Mr. Odell W. Bailey
Auditor General
Detroit Public Schools

I have reviewed my audit results thoroughly. I concur with the results and I have created a corrective plan of action that will address the funding weaknesses. I am persuaded that this action plan will make our cash management more efficient and in compliance with General School and District Funds policies and procedures.

New Procedures for Submitting and Requesting funds at Burton International School.

1. All requests for funds and deposit of funds are required to be submitted **only** to the Principal or Assistant Principal. (This can **not** be done from 7:00 am to 7:40 am, during Lunchtime, or After School from 2:30 pm to 3:15pm.)
2. These requests must be made in writing 5 days prior to a planned date for funds.
3. Requests must be accompanied by a **Quote** from the vender(on vendor letter head stationary.)
4. These documents will be examined by the above administrators who will approve or deny the requested transaction.
5. The designated secretary will complete the final stages of the process.
6. A receipt showing approval will be signed by the **Principal** or the **Assistant Principal**. Receipts will be given by one of the administrators.

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MANAGEMENT RESPONSE (continued)

7. Person making the request or deposit must sign document indicating receipt or depositing of said funds.


8. All persons involved are requires to make and retain copies of all documents for at least **five** years.

This procedure is being instituted to make sure that The Great Burton International will remain **Number #1** in following The Board's guidelines and to make sure we do all we can to assist with the budget dilemma. We will conduct a staff workshop pertinent to this issue. In the meantime, thanks to all staff for efforts expended on behalf of Burton and Detroit Public Schools and our student population.

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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