

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF KETTERING WEST WING HIGH SCHOOL School Year 2008-09

REPORT NO: 09-119

REPORT DATE: June 30, 2009

**DETROIT PUBLIC SCHOOLS
KETTERING WEST WING HIGH SCHOOL
FINANCIAL RELATED AUDIT
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BACKGROUND

For School Year 2008 – 2009, 235 students were enrolled at Kettering West Wing High School, which has students ranging in age from 14 to 26 years old. Ms. Drexell Claytor was the Principal during this time period and has been serving in this capacity for thirteen years.

Ms. Anita Ross, Secretary, performs the bookkeeping duties for the school and has been doing so for eight years.

Kettering West Wing High School maintains a commercial checking account with Chase Bank. Primary sources of General School Funds include fundraisers, donations, and special project funds (i.e., Act 18 Special Education issued through Wayne County Regional Education Service Agency). There are no sources of District fund revenue.

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.

**DETROIT PUBLIC SCHOOLS
KETTERING WEST WING HIGH SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-119**

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>	\$13,269

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted non-compliance with District cash management policy, specifically bank reconciliations were not signed and dated by the Principal.

The detail of this finding and recommendation is included in the Findings Section of this report.

**DETROIT PUBLIC SCHOOLS
KETTERING WEST WING HIGH SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-119**

AUDIT FINDING

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

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

Non-compliance was noted regarding the principal's sign-off on bank reconciliations.

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.

MANAGEMENT RESPONSE

Management response provided by Ms. Drexell Claytor, Principal.

Audit finding #1-School Administrative Financial Manual Non-Compliance:

Response: **I concur** with audit finding #1. I was not informed nor was I made aware of the process/procedure of the Administrator signing off and dating the monthly bank reconciliations.

Corrective action: I will comply with the Districts' School Administrative Financial Manual 2006-07 by

1. Signing off and dating the monthly bank reconciliations
2. Reviewing the Districts' Administrative Financial Manual dated 2006-2007 and ensuring that the staff responsible for cash management is in compliance with the procedures set up by the SAFM

**DETROIT PUBLIC SCHOOLS
KETTERING WEST WING HIGH SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-119**

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 'Odell W. Bailey', is positioned above the printed name.

Odell W. Bailey, CIA
Auditor General