

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF SOUTHEASTERN HIGH SCHOOL School Year 2008-09

REPORT NO: 09-171

REPORT DATE: June 30, 2009

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BACKGROUND

For School Year 2008 – 2009, 2155 students were enrolled at Southeastern High School, which has grade levels 9th through 12th. Ms. Brenda Gatlin was the Principal during this time period and has been serving in this capacity for ten years.

Ms. Bobbie Smith Laura Moore, Secretary, performs the bookkeeping duties for the school and has been doing so for 34 years.

Southeastern High School maintains a checking account with Comerica Bank, Primary sources of General School Funds include student activities, fundraisers, and special project funds (i.e., Chrysler Foundation Grant, 31A & Title I). Sources of District Fund Revenues include Food Services (i.e., lunchroom), and athletic gate receipts.

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>	\$225,989

AUDIT RESULTS IN BRIEF

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

- 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.

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

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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 function within the District.

Non-compliance was noted regarding the following:

- Cash was not counted at the time of receipt neither was a receipt provided at the time of the cash exchange.
- Athletic concession workers were paid from the sales proceeds and not via check issuance.
- The financial records for concession sales were inadequate; there was no record indicating workers’ agreement with cash collected, no record of items sold and no inventory.

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 response provided by Dr. Gerald E. Craft, Principal (new principal).


In the future I will ensure the following:

1. Funds will be verified by two people and a concession receipt will be signed by the Athletic Coordinator and the person collecting the money. All funds when submitted to the bookstore will be counted by the bookkeeper and person submitting the funds.
2. All concession workers will fill out an AC-24 and be paid by check.
3. A concession form with a beginning and ending inventory will be used to verify all funds collected. The form will contain the signatures of the Athletic Coordinator and salesperson.

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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
Auditor General