

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF TROMBLY ALTERNATIVE HIGH SCHOOL

School Year 2008-09

REPORT NO: 09-180

REPORT DATE: June 30, 2009

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**DETROIT PUBLIC SCHOOLS
TROMBLY ALTERNATIVE HIGH SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-180**

BACKGROUND

For School Year 2008 – 2009, approximately 300 students were enrolled at Trombly Alternative High School, which has grade levels Ninth through Twelfth. Dr. Gerald Craft is the current Principal and has been serving in this capacity since 2006.

Ms. Tina Lemons, Clerical III, performs the bookkeeping duties at the high school and has done so since July 1993.

Trombly Alternative maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include student activities, fundraising activities and donations (e.g., Partners of Trombly). 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.

**DETROIT PUBLIC SCHOOLS
TROMBLY ALTERNATIVE HIGH SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-180**

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 Account Deposits</u>	\$6,853

AUDIT RESULTS IN BRIEF

Based on our audit of the Trombly Alternative High School cash management process, we noted control weaknesses related to cash receipts, cash disbursements, and bank reconciliations:

- Non-compliance with District cash management policy
 - Pre-numbered duplicate receipt forms were not always issued.
 - Bank reconciliations were not signed to indicate they were reviewed.

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

**DETROIT PUBLIC SCHOOLS
TROMBLY ALTERNATIVE HIGH SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-180**

AUDIT FINDINGS

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

The following was noted during the test of compliance with the “School Administrative Financial Manual 2006-07” (SAFM):

- Pre-numbered duplicate receipt forms were not always issued.
- Bank reconciliations were not signed to indicate they were reviewed.

Cause

Although the Principal and Secretary/bookkeeper were aware of the “School Administrative Financial Manual 2006 – 2007,” in some instances compliance with the requirements was not maintained.

Effect

Lack of adherence to District policies related to cash receipts and disbursements results in non-standardize procedures that can vary with each school, which can result in processing inefficiencies.

In addition, failure to request and approve cash disbursements in accordance with district policy can result in inappropriate or unauthorized purchases.

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 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.

**DETROIT PUBLIC SCHOOLS
TROMBLY ALTERNATIVE HIGH SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-180**

MANAGEMENT RESPONSE

Management responses provided by Dr. Gerald Craft, Principal:

In response to the audit findings the following is my response to those findings:

1. We concur that pre-numbered receipts were not always issued, but remained in the receipt book. My secretary explained that sometimes if she was handed funds outside of the office she neglected to put the receipt in the mail box of the teacher and inadvertently left the receipt in the receipt book. In the future all transactions will be properly receipted and conducted in the office.

2. We concur that bank reconciliations were not signed. We have corrected that procedure and I sign bank reconciliations after review. I was not aware of the School Administrative Financial Manual 2006-2007. Finally, I was not trained on the procedures cited in the audit. I appreciate the findings and have put in place the proper procedures to address those audit findings


Educationally yours,

Dr. Gerald E. Craft

**DETROIT PUBLIC SCHOOLS
TROMBLY ALTERNATIVE HIGH SCHOOL
FINANCIAL RELATED AUDIT
REPORT NO. 09-180**

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