

# Detroit Public Schools Office of the Auditor General



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## FINANCIAL RELATED AUDIT OF DETROIT INTERNATIONAL ACADEMY School Year 2008-09

**REPORT NO: 09-059**

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**REPORT DATE: June, 2009**

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**DETROIT PUBLIC SCHOOLS  
DETROIT INTERNATIONAL ACADEMY  
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**BACKGROUND**

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For School Year 2008 – 2009, approximately 500 students were enrolled at Detroit International Academy, which has grade levels Seventh through Twelfth. Ms. Beverly Hibbler is the current Principal and has been serving in this capacity since 2005.

Ms. Debra Riggins, Clerical IV, performs the bookkeeping duties and has done so since 2005.

Detroit International maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include student activities, fundraising activities and donations (e.g., community, banks and businesses). Sources of District Fund Revenues include Food Services (i.e., lunchroom).

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**AUDIT OBJECTIVES**

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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.

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**SCOPE & METHODOLOGY**

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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)**

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- 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 example, 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.

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**FINANCIAL SUMMARY**

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**Table 1.1: Cash Receipts from General and District School Funds (July 2008 – March 2009)**

<b>ACCOUNT TYPE</b>	<b>AMOUNT</b>
<u>Commercial Checking Account Deposits</u>	\$44, 117

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**AUDIT RESULTS IN BRIEF**

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Based on our audit of the Detroit International Academy cash management process, we noted control weaknesses related to cash receipts, cash disbursements, and bank reconciliations:

- Non-compliance with District cash management policy and/or ineffective practices
  - Pre-numbered duplicate receipt forms were not always used.
  - 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.

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**AUDIT FINDINGS**

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**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 used.
- Bank reconciliations were not signed to indicate they were reviewed.

**Cause**

Although the Principal and Secretary bookkeeper are 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 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**

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Management Responses provided by Ms. Beverly Hibbler, Principal:

**TO:** Detroit Public Schools Office of Auditor General  
**FROM:** Beverly A. Hibbler, Principal, Detroit International Academy Principal  
**DATE:** July 21, 2009  
**SUBJECT: RESPONSE TO AUDIT RESULTS – Report No. 09-059**

- I concur; pre numbered duplicate receipt forms were not always used. Receipts were not created when commission or donation checks were received in the mail. Since we have been informed, all monies received been receipted in and the receipt number is recorded on the Account Activity Ledger.
- I concur; bank reconciliations were submitted without principal's signature. Since the correct reconciliation form was emailed to us in April 2009, reconciliation reports have been submitted with my signature and will continue to be in the future. However, please understand that all reconciliation reports had been reviewed prior to submission, although not signed.

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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