

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF COOLEY NORTH WING HIGH SCHOOL

School Year 2008-09

REPORT NO: 09-046

REPORT DATE: June, 2009

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BACKGROUND

For School Year 2008 – 2009 150 students were enrolled at Cooley North Wing High School which has grades Ninth through Twelfth. Mr. Steven Czapski was the Assistant Principal during this time period and has been serving in this capacity since July 2006.

Ms. Willie Brodie, Secretary, performs the bookkeeping duties and has been doing so since July 1996.

Cooley North Wing High School maintained one commercial checking account at Chase Bank. Primary sources of General School Funds included special project funding (Wayne County RESA, & Section 31A).

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>	\$16,016

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted control weaknesses related to segregation of duties.

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

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AUDIT FINDINGS

1. Finding – Lack of Segregation of Duties and Required Documentation:

The “School Administrative Financial Manual 2006-07” (SAFM) governs the cash management function including adequate segregation of duties.

The school’s cash management process permitted cash to be forwarded directly to the Principal, as opposed to being processed by the Secretary/Bookkeeper.

Cause

Lack of adherence to District policy requiring a separation of duties related to recordkeeping, custody, and authorization of funds.

Effect

The school account was more susceptible to inaccuracies and/or misappropriation of funds.

Recommendation

The Principal should be consistent in segregating cash management duties i.e., the Secretary/Bookkeeper should process all cash receipts. This will allow the Principal to provide an effective authorization and monitoring control process.

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MANAGEMENT RESPONSE

MEMORANDUM

TO: Mr. Odell Bailey, General Auditor

FROM: Derrick R. Coleman, Regional Superintendent

DATE: July 23, 2009

SUBJECT: Cooley North Wing High School Financial Related Audit

This communication is written as a response to the audit findings on Cooley North Wing High School. Assistant Principal in Charge Steven Czapski has become the principal of Cooley High School.

The audit results in brief discovered that Cooley North Wing High School has control weaknesses related to cash receipts, cash disbursements, and bank reconciliations. The school's cash management process permitted cash to be forwarded directly to the principal, as opposed to being processed by the secretary/bookkeeper.

The process of budgeting for Detroit Public Schools was established by the (DPS) Schools Administrative Financial Manual in (2006). Board records indicate that many principals have not been in-serviced on the SAFM manual.

Recommendations:

Principal Czapski must be consistent in segregating cash management duties and the secretary/bookkeeper must process all cash receipts. This will allow the principal to provide an effective authorization and monitoring control process. In addition, he shall 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 2006-2007.

Also, Principal Czapski shall 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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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