

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF CROSMAN ALTERNATIVE HIGH SCHOOL

School Year 2008-09

REPORT NO: 09-052

REPORT DATE: June 30, 2009

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BACKGROUND

For School Year 2008 – 2009, 134 students were enrolled at Crosman Alternative High School, which has grade levels 9-12. Ms. Carole Jones was the Principal during this time period and has been serving in this capacity since August 2008. Ms. Jones also held positions at Vetal and Beaubian.

Ms. Betty Witherspoon, Cannon Accounting Services, performs the bookkeeping duties and has been doing so since 2008.

Crosman Alternative High School maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include student activities, fundraisers, and special project funds (State School Improvement, & Title I). Sources of District Fund Revenues include Food Services (i.e., lunchroom 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.
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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)

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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 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>	\$2,953

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted the following control weaknesses:

- Non-compliance with District cash management policy:
 - Checks received were not restrictively endorsed “for deposit only.”
 - Bank reconciliations were not prepared.

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.

The following non-compliance issues were noted:

- Checks received were not restrictively endorsed “for deposit only.”
- Bank reconciliations were not prepared.

Cause

Lack of 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


As the New Principal assigned to Crosman Alternative effective July 1st 2009. I will instruct Cannon and the new book keeper to follow the financial protocols of Detroit Public Schools. We will be compliant with all policies pertaining to cash and or banking practices. We will follow the recommendations included in the audit findings.

Anthony Houston, Principal

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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