

Detroit Public Schools
Office of the Auditor General



**FINANCIAL RELATED AUDIT
FOLLOW UP
OF
SOUTHWESTERN HIGH SCHOOL
School Year 2010-11**

REPORT NO: 11-028

REPORT DATE: November 10, 2011

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**SOUTHWESTERN HIGH SCHOOL
FINANCIAL AUDIT FOLLOW-UP REPORT
REPORT NO: (11 - 028)**

Audit Objectives

The objective of the follow-up audit was to determine if corrective actions have been taken to address significant findings in the June 30, 2009 audit report.

Scope & Methodology

The audit scope covered financial activity for first four months of the 2011 - 2012 School-Year, through October 31, 2011. Inquires were made with the assistant principal and bookkeeper to obtain an understanding of the actions taken to remediate the risk associated with the prior audit findings. Additionally, audit tests were performed to assess the effectiveness of the corrective actions and internal controls.

Background

School Profile

Southwestern High School (Southwestern) has one bank account: a checking account maintained at First Independence Bank along with a certificate of deposit. General School Funds at Southwestern include: student activities, fundraising, and local grants. Sources of District Fund Revenues include Food Service (i.e., lunchroom) and athletics.

Prior Audit

In 2009 financial audits were conducted at all Detroit Public Schools (DPS) to determine the level of compliance with DPS's policies and procedures. The audit covered cash receipts, cash disbursements, bank reconciliations and reporting.

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Previous Audit Finding(s)

Previous Audit Finding(s)	Corrective Action Taken	Corrective Action Partially Implemented	Corrective Action Not Taken / Repeat Finding
(1) Proceeds from fundraisers were not always deposited into the bank.			√
(2) Supporting documentation was not always retained for fundraiser cash receipts.			√
(3) Supporting documentation was not always retained for expenditures related to fundraising events.			√
(4) Funds were disbursed from negative balance school activity accounts.	√		
(5) Trial balances did not accurately reflect all cash receipts.	√		
(6) Bank reconciling items were outstanding for an extended period of time.	√		
(7) The principal did not sign and date reconciliations, evidencing timely and proper management review.	√		
(8) Checks were not always voided properly.	√		

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Audit Conclusion

Based on our review and testing, Southwestern High School has implemented corrective actions for several prior audit findings, as follows:

- (4) Funds were disbursed from negative balance school activity accounts.
- (5) Trial balances did not accurately reflect all cash receipts.
- (6) Bank reconciling items were outstanding for an extended period of time.
- (7) The Principal did not sign and date reconciliations, evidencing timely and proper management review.
- (8) Checks were not always voided properly.

The following prior audit findings have not been corrected:

- (1) Proceeds from fundraisers were not always deposited into the bank.
- (2) Supporting documentation was not always retained for fundraiser cash receipts.
- (3) Supporting documentation was not always retained for expenditures related to fundraising events.

RECOMMENDATION(s)

We recommend the Principal ensure that all fundraising activities are held in compliance with fundraising and cash management's policies including: depositing all revenues into the bank; processing payment for goods and services through the school's checking account; submitting funds with receipts collected to the bookkeeper; and maintain sufficient documentation to the bookkeeper to support expenditures.

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Management Response

In response to the issues documented in the audit report I made arrangements for my office manager to get trained in proper procedures for cash management and she will be handling the bookkeeping duties for the school going forward. In addition, I will ensure that:

1. All fund-raising receipts are deposited into the school bank account and deposit slips are sent to the bank and returned from the bank are maintained that coincide with all fund-raising deposits.

2. Documentation related to all fund-raising activities is maintained, including fundraiser approval forms, supporting documentation related to expenditures, individual duplicate receipt forms documenting funds collected and fundraiser profit and loss statements.

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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.

A handwritten signature in blue ink, appearing to read 'Odell W. Bailey', is positioned above the printed name.

Odell W. Bailey, CIA
Auditor General