

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT FOLLOW UP OF HENRY FORD HIGH SCHOOL School Year 2010-11

REPORT NO: 11-030

REPORT DATE: October 31, 2011

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**HENRY FORD HIGH SCHOOL
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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 the 2010-2011 School Year-ending June 30, 2011. Inquires were made with the 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.

Subsequent Event

Subsequent to the last day of field work, the OIG received notification from Cash Management Division on November 17, 2011 that approximately \$12,033 had been misappropriated from Henry Ford's checking account based on a review of bank statements for the account. The OAG referred the case over to the Office of Inspector General for investigation.

Background

School Profile

Henry Ford (Ford) has one bank account: a checking account maintained at First Independence Bank. Primary sources of incoming funds at Ford include student and fundraising activities. Sources of District Fund Revenues include athletic gate receipts.

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 reconciliation 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)A General Ledger was not maintained.	√		
(2)Pre-numbered duplicate receipt numbers were not referenced in the cash receipts ledger.	√		
(3)Supporting documentation did not exist for all expenditures.			√
(4)Various check sequences were used throughout the school year.	√		
(5)Sales tax was paid on expenditures.	√		
(6)Bank reconciliations were not always prepared and/or forwarded to Central Accounting	√		
(7)Cash receipts were not properly safeguarded.	√		
(8)Athletic game receipts were not forwarded to the District.	√		
(9)Expenditures were not always in compliance with district policy/intended purpose.	√		
(10)Petty cash funds did not have adequate supporting documentation.	√		

Audit Conclusion

Based on our review and testing, Henry Ford High School has done a commendable job with implementing corrective actions for several prior audit finds, as follows:

- (1) A general ledger was maintained,
- (2) Pre-numbered duplicate receipt numbers were referenced in the receipts ledger.
- (4) A single check sequence was used for each bank account during the school year.

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- (5) Sales tax was not paid or reimbursed for expenditures,
- (6) Bank reconciliations were prepared and forwarded to Central Accounting,
- (7) Cash receipts are required to be submitted to the bookkeeper daily and secured in the school safe.
- (8) Athletic receipts are being submitted deposited directly into the Athletic Department bank account.
- (9) Expenditures from the school account are restricted to use for the benefit of students.
- (10) The school no longer maintains a petty cash account.

The following prior audit finding was not corrected:

- (3) Supporting documentation was not available for all expenditures.

The prior audit noted that some supporting documentation was not available for several expenditures. During our review, we noted supporting documentation was not available for all expenditures that were included in our sample.

RECOMMENDATION

We recommend the Principal ensure supporting documentation is submitted, reviewed and put in safekeeping for future reference and examination by school officials and auditors.

Management Response

This is my response to the audit findings for Henry Ford High School, school year 2010 – 2011. I strongly believe that we will continue to improve our processes and procedures with regards to financial responsibilities at Henry Ford High School. We now have a designated bookkeeper, who is well-trained and aware of the duties and responsibilities of her position.

What we will continue to do to ensure compliance:

- Follow recommendations of the audit findings.
- Communicate often with our newly hired designated Bookkeeper and we communicate often.
- Inform staff of financial procedures.
- Review current Bookkeeping processes and practices.
- Ask questions from each management office when I don't know something.
- Contact your office if any new documentation, for checks written during 2010-11, is located.

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Our audit was performed in accordance with U.S. General Accounting Office Government Generally Accepted 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