

# **Detroit Public Schools Office of the Auditor General**



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## **FINANCIAL RELATED AUDIT OF BETHUNE ACADEMY School Year 2008-09**

**REPORT NO: 09-011**

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**Report Date: June 30, 2009**

**DETROIT PUBLIC SCHOOLS  
BETHUNE MIDDLE SCHOOL  
FINANCIAL RELATED AUDIT  
REPORT NO. 09-011**

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**BACKGROUND**

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For the 2008-2009 School Year, 650 students were enrolled at Bethune Academy, which has grade levels Kindergarten through eighth. Ms. Pamela Askew was the Principal during this time period and has been serving in that capacity since July 2006.

Ms. Kim Walker, Assistant Principal, performed bookkeeping duties and has done so since July 2006.

Bethune Academy maintains one commercial checking account at Comerica Bank. Primary sources of General School Funds are special project funds (Safe and Drug Free Schools). 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.

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**SCOPE & METHODOLOGY (continued)**

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- 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.
- 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.

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**FINANCIAL SUMMARY**

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

ACCOU TYPE	AMOUNT
<u>Commercial Checking Account Deposits</u>	\$2,012

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**AUDIT RESULTS IN BRIEF**

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Based on our audit of the Bethune Academy School 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 numbers not recorded on the ledger.
  - Check request forms were not signed to indicate authorization of expenditures.
  - Bank reconciliations are not signed by the preparer or reviewer.
- Financial records not available for review.

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):

- Per-numbered duplicate receipt numbers not recorded on the ledger.
- Check request forms were not signed to indicate authorization of expenditures.
- Bank reconciliations are not signed by the preparer or reviewer.

**Cause**

School officials stated that they were unaware of the requirements to use certain forms for cash activity and check requests included in the District’s SAFM.

**Effect**

Lack of adherence to District policies related to cash receipts and disbursements results in non-standardize procedures that can vary with each school, which can result in processing inefficiencies. In addition, failure to request and approve cash disbursements can result in inappropriate or unauthorized purchases.

**Recommendation**

The Principal should ensure that all staff participating in financial transactions is familiar with and 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 polices 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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**AUDIT FINDINGS (continued)**

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**2. Finding – Financial records were not available for review:**

The bank statement, check stubs and listing of cash receipts for December 2008 were not maintained at the school.

**Cause**

The previous bookkeeper retained the records and did not provide them to the school.

**Effect**

School records are not complete and available for review.

**Recommendation**

The Principal should ensure that all financial records are maintained at the school as required by the “School Administrative Financial Manual 2006-07.”

**Note: Subsequent to our original visit to the school, the bookkeeping service provided the missing documents in good order. We advised them to keep the documents at the school in compliance with the SAFM.**

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**MANAGEMENT RESPONSE**

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Management responses provided by Pamela Askew, Principal.

Based on our audit of the Bethune Academy School cash management process, I concur with the audit as it relates to control weaknesses to cash receipts, cash disbursements, and bank reconciliations with the exception to the following:

**Corrective Action:**

As Principal of Bethune Academy since July 2006, I will:

1. Review and request training on the "School Administrative Financial Manual 2006-07 to acquaint myself with the policies and procedures.
2. Review the manual with the person in charge of financial records for Bethune Academy
3. Revise the 2006 bank reconciliations to include lines for signatures from the preparer and the reviewer.
4. Purchase and use pre-numbered duplicate receipts for cash activity and record that activity into a ledger.

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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