

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF DETROIT HIGH SCHOOL FOR TECHNOLOGY School Year 2008-09

REPORT NO: 09-058

REPORT DATE: June 30, 2009

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**DETROIT PUBLIC SCHOOLS
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BACKGROUND

For School Year 2008 – 2009, approximately 200 students were enrolled at Detroit High School of Technology, which has grade levels Ninth through Twelfth Grade. Dr. Deborah Jenkins was the Principal during this time period and has been serving in this capacity since 2007. The campus also includes Pershing High School with Dr. Jenkins serving as Principal for this school as well.

Ms. Jerry Jenkins, Clerical IV, performs the bookkeeping duties for the high school and has done so since December 2008. Ms. Jenkins also performs the bookkeeping duties for Pershing High School.

Detroit High School of Technology maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include student activities, fundraising activities, donations (e.g., community, businesses, and corporations) and local grants (e.g., Skillman). Sources of District Fund Revenues include Food Services (i.e., lunchroom).

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. Perform 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 example, 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>	\$ 27,733

AUDIT RESULTS IN BRIEF

Based on our audit of the 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
 - Ledgers were not maintained for the financial activity of the school.
 - Pre-numbered duplicate receipt books were not available for review.
 - Checks were not always signed by a second authorized signer.
 - Check request forms were not always signed to indicate approval of expenditures.
 - Bank reconciliations were not prepared.
- Funds were comingled with those of Pershing High School.

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

Achievements

Detroit High School for Technology is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as an Emerging School. This indicates that they have met criteria such as: (1) Demonstrating the ability to assist students in obtaining satisfactory ACT and SAT scores; (2) Offering college prep curricula to most students; and (3) Having strong graduation and grade-level-retention rates, etc.

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AUDIT FINDINGS

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):

- Neither a general ledger, cash receipts ledger nor a disbursement ledger were maintained for the financial activity of the school.
- The pre-numbered duplicate receipt books for the period July 2008 through September 2008 were not available for review.
- Checks were not signed by a second authorized signer.
- Check request forms were not always signed to indicate approval of expenditures.
- Bank reconciliations were not prepared for the July 2008 through March 2009 period.

Cause

Although the Principal and Secretary bookkeeper were aware of the “School Administrative Financial Manual 2006 – 2007,” in some instances compliance with the requirements was not maintained.

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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AUDIT FINDINGS (continued)

2. Finding –Funds were Comingled with those of Pershing High School:

The “School Administrative Financial Manual 2006-07” (SAFM) governs the cash management function including adequate use and retention of cash receipt documentation.

Two Detroit High School of Technology checks were written to pay Pershing expenses as follows:

Check Information				
Number	Date	Description	Indication of Ownership	Amount
1426	1/6/09	Computer Repair	Invoice to Pershing	\$ 71.54
1427	9/3/08	Refrigerator Repair	AC-4 from Pershing	85.00
Total				\$156.54

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In addition, the following Detroit High School of Technology receipts were erroneously deposited into Pershing High School’s bank account:

Amounts Deposited into Pershing High School Account Erroneously				
Description	Date	Receipt Number	Amount	
Detroit Tech Senior Class	11/17/2008	409531	\$	1,230.00
Detroit Tech Senior Class	12/4/2008	409545		1,150.00
Detroit Tech Senior Class	12/4/2008	409546		1,575.00
			Total	\$ 3,955.00

Cause

Both Detroit High School Technology and Pershing High School are maintained with in the same building, have the same principal and utilize the same bookkeeper. While the two schools have separate bank accounts and school financial records, the bookkeeper used one pre-numbered duplicate receipt book for both schools, making errors more likely.

Effect

Non-compliance with District policy regarding the use of funds for the students collecting the funds. In addition, monies collected for Detroit High School of Technology student were not available for expenditures.

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AUDIT FINDINGS (continued)

Recommendation

The Principal should consider segregating the bookkeeping duties so that the same individual does not perform the bookkeeping duties for both schools. This will assist in reducing errors and the perception that funds may be co-mingled and/or misappropriated intentionally.

During the interim corrections should be made to the schools' financial and bank account records. Lastly, the Principal should review the financial records for the fiscal to be assured that no other such errors were made.

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MANAGEMENT RESPONSE


Management responses provided by Deborah Jenkins, Principal:

We will ensure compliance with the SAFM in the future and ensure that all staff involved with bookkeeping activities are made aware of and trained on the policy.

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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 Bailey
Auditor General