

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF DETROIT TRANSITION CENTER, WEST

School Year 2008-09

REPORT NO: 09-064

REPORT DATE: June 30, 2009

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**DETROIT PUBLIC SCHOOLS
DETROIT TRANSITION CENTER - WEST
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BACKGROUND

For School Year 2008 - 2009, 166 students were enrolled at Detroit Transition Center – West which is a special education facility with students ranging from 20 to 26 years old. Ms. Rita Footman served as Principal during this period and has been serving in that capacity since the school opened four years ago.

Ms. Cheryl Sykes, is a DPS employee (i.e., Teacher-Consultant / Special Education) who is responsible for the collection of cash receipts and preparation of bank deposits.

Bookkeeping duties are also performed by Joyce Wynn of Consolidated Computer Accounting Services, Inc.(CCAS) who prepares the monthly bank reconciliations. The company has provided this service for the past four years.

Detroit Transition Center - West (DTCW) maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include fundraising activities, miscellaneous amounts from senior dues, prom, cap/gowns and school field trips. DTCW also has a school “store” operation which generates revenues to replenish the store. Sources of District Fund Revenues include Food Services (i.e., lunchroom).

AUDIT OBJECTIVES

The objectives of the audit were to ensure that the:

- 1) 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 ledgers did not exist, transaction activities were derived by totaling cash receipts and reviewing the check register for cash disbursements.

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SCOPE & METHODOLOGY (continued)

- 4) Completed a cash receipt ledger template: The ledger was designed to identify funds, which may have been received but not deposited. Research was performed 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 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 School and District Funds (July 2008 – March 2009):

CATEGORY	AMOUNT
<u>Commercial Checking Deposits</u>	\$10,967

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:
 - Pre-numbered duplicate receipts were not used to document cash receipts.
 - Check request forms were not signed to document the Principal's approval of expenditures.
 - Funds were not deposited in a timely manner.
 - Bank reconciliations were not signed by the preparer as evidence of accountability or the Principal to indicate review and approval.

The detail of these findings and recommendations are 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 process.

The following non-compliance issues were noted:

- Pre-numbered duplicate receipts were not used to document cash receipts.
- Check request forms were not signed to document the Principal's approval of expenditures.
- Funds were not deposited on a timely basis.
- Bank reconciliations were not signed by the preparer as evidence of accountability or the Principal to indicate review and approval.

Cause

School officials stated they were unaware of the District's SAFM and therefore were not aware of certain forms and requirements for cash receipt activity.

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, 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

Detroit Transition Center – West
4800 Collingwood
Detroit, Michigan
873-9340

Rita Footman – Principal

Management Responses - Audit Report No 09-064

1. A pre numbered duplicate receipt book will be purchased to document all cash receipts. It will be kept in the school safe. It will be available for review whenever required.

2. Check request forms will be duplicated. They will be available to all school staff who requests a check to purchase goods for a school activity. The Principal and all necessary parties will sign the request for expenditures. All check request forms with appropriate signatures will be kept in the monthly reconciliation folder of the month the request was made in. If a check request has been approved by the Principal, a copy of the check and a receipt indicating the items purchased will be attached to the request form.

3. All funds received in the school office will be deposited no later than the Monday of the following week. Until that time funds will be kept in the school safe. Deposit tickets will be placed in the appropriate monthly reconciliation folder. This information is given to the accounting firm (CCAS) monthly to complete the bank reconciliation process for the accounting office.


4. The Principal will inform the accounting firm (CCAS) that the district requires the signatures of the preparer and the Principal to be on each monthly reconciliation. All monthly reconciliations will contain areas for these signatures. They will be signed by the preparer and sent to the Principal for review, approval and a signature before being sent to DPS accounting offices.

The “School Administrative Financial Manual 2006 -2007 will be downloaded and reviewed by appropriate school staff. The district’s accounting offices will be asked to assist and clarify any areas of misunderstandings.

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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.



Odell W. Bailey, CIA
Auditor General