

# Detroit Public Schools Office of the Auditor General



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## FINANCIAL RELATED AUDIT OF FERGUSON ACADEMY FOR YOUNG WOMEN

School Year 2008-09

REPORT NO: 09-078

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REPORT DATE: June 30, 2009

**DETROIT PUBLIC SCHOOLS  
FERGUSON ACADEMY FOR YOUNG WOMEN  
FINANCIAL RELATED AUDIT  
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**BACKGROUND**

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Currently, there are 200 students enrolled at the Ferguson Academy for Young Women which has grade levels 9<sup>th</sup> through 12<sup>th</sup>. Ms. G. Asenath Andrews was the Principal during this time period and has been serving in this capacity since 1987.

Ms. Bernice McNair, Secretary, performed the bookkeeping duties and has done so since 1991.

The Ferguson Academy for Young Women maintains one commercial checking account. Primary sources of General School Funds include State of Michigan Dept of Human Services funding and district grants (Title 1). The school also cultivates and sells vegetables on a school farm, the proceeds are used to feed the farm animals. The primary source of District Fund Revenues is the lunchroom collections.

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**AUDIT OBJECTIVES**

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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

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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 ledgers did not exist, transaction activities were derived by totaling cash receipts 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. Research was performed as necessary.

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REPORT NO. 09-078**

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**SCOPE & METHODOLOGY (continued)**

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- 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.

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**FINANCIAL SUMMARY**

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

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$96,930

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**AUDIT RESULTS IN BRIEF**

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Based on our audit of the cash management process, we noted the control weaknesses related to compliance with District cash management policy. Specifically,

The following non-compliance issues were noted:

- Non-compliance with the School Administrative Financial Manual
  - Bank reconciliations were not signed by the preparer or approver

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

**DETROIT PUBLIC SCHOOLS  
FERGUSON ACADEMY FOR YOUNG WOMEN  
FINANCIAL RELATED AUDIT  
REPORT NO. 09-078**

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**AUDIT FINDINGS**

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**1. Finding - School Administrative Financial Manual Non-Compliance:**

The “School Administrative Financial Manual 2006-07” (SAFM) governs the cash management function within the District.

The following non-compliance issues were noted:

- Bank reconciliations are not signed by the preparer or approver prior to submission to the Central Accounting Department

**Cause**

The school official stated that she was unaware of the District’s SAFM and therefore was not aware of the requirement to use certain forms for cash receipts and check requests.

**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.

**DETROIT PUBLIC SCHOOLS  
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FINANCIAL RELATED AUDIT  
REPORT NO. 09-078**

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**MATTER FOR CONSIDERATION**

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During our review, it was brought to the attention of the auditors the Principal maintains a commercial credit card in her name that she utilizes it for school expenses. No supporting documentation, including statements was available to determine whether the expenses for the school were eligible. We recommend the Principal no longer use a credit card and make eligible disbursements utilizing the proper processes.

**DETROIT PUBLIC SCHOOLS  
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REPORT NO. 09-078**

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**MANAGEMENT RESPONSE**

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As principal of Catherine Ferguson Academy I recognize and accept the responsibility for doing all that I can to ensure that the monies coming to my students are used and protected in ways that best serve my students and the public trust.

My responses to the audit results are as follows:

- Non-compliance with the School Administrative Financial Manual
  - Bank reconciliations are not signed by the preparer or approver.

**In the future I will be sure that both signatures are on bank reconciliations.**

During our review, it was brought to the attention of the auditors the Principal maintains a commercial credit card in her name that she utilizes it for school expenses. No supporting documentation, including statements was available to determine whether the expenses for the school were eligible. We recommend the Principal no longer use a credit card and make eligible disbursements utilizing the proper processes.

**As for the credit card used by the school, statements were available but not cash register receipts. I did not think I needed receipts because I had the credit card bills and the card is only used for school purposes. Since this was brought to my attention by the auditors I have since called all the companies and requested receipts and most were retrieved and enclosed.**

All of your recommendations offered in the findings will be established or instituted in this next fiscal year. We look forward to a no negative findings report next year.

Yours truly,

G. Asenath Andrews  
Principal

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REPORT NO. 09-078**

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