

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF PERSHING HIGH SCHOOL School Year 2008-09

REPORT NO: 09-157

REPORT DATE: June 30, 2009

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BACKGROUND

For School Year 2008 - 2009, 1,400 students were enrolled at Pershing High School, which has grade levels 9th through 12th. Dr. Deborah Jenkins served as Principal during this period and has been serving in that capacity for the past two years.

Ms. Jerry Jenkins and Ms. Valerie Barnes-Ruben perform the bookkeeping duties and have been doing so since December 2008.

Pershing High School maintains a commercial checking account with Comerica Bank. The school also has a Charles Schwab money market account for the "Pershing High School Compact Program."

Primary sources of General School Funds include vending machines, senior class dues/fees, community donations, and field trips. Sources of District Fund Revenues include Food Services (i.e., lunchroom) and athletic events.

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.
- 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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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 School and District Funds (July 2008 – March 2009):

CATEGORY	AMOUNT
<u>Commercial Checking Deposits</u>	\$ 88,655

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:
 - Check request forms were not signed to document the Principal's approval of expenditures.
 - Bank reconciliations were not prepared for the period December 2008 through March 2009.
 - Bank reconciliations were not signed by the preparer as evidence of accountability or the Principal to indicate review and approval.
- Access to school accounts was not adequately controlled.
- Funds were comingled with those of Pershing High School.
- Funds were deposited into the school account did not trace to receipts.

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:

- Check request forms were not signed to document the Principal’s approval of expenditures.
- Bank reconciliations were not prepared for the period December 2008 through March 2009.
- Bank reconciliations were not signed by the preparer as evidence of accountability or the Principal to indicate review and approval.

Cause

Lack of compliance with the SAFM.

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.

2. Finding - Access to school accounts was not adequately controlled.

During our review, we noted the following weaknesses related to access to school accounts:

- The authorized signer on a Charles Schwab money market account is deceased.
- A retired employee of the school is still an authorized signer on the checking account.

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AUDIT FINDINGS (continued)

Cause

The School has not obtained the necessary changes to the authorized signers of these accounts.

Effect

School funds are susceptible to loss, theft or misappropriation.

Recommendation

The Principal should ensure the authorized signers on all school accounts are current members of the school administration. In addition, the Principal should ensure that Central Accounting is involved in this process.

3. Finding –Funds were Comingled with those of Detroit High School of Technology:

Pershing and Detroit High School of Technology (a companion school) receipts were recorded in one pre-numbered duplicate receipt form book.

Cause

Two Detroit High School of Technology checks were written to pay Pershing expenses. In addition, one pre-numbered duplicate receipt book was used for cash received by Detroit High School of Technology and Pershing High School, although the schools have separate bank accounts.

Effect

Funds deposited into the account did not agree with amounts recorded on the pre-numbered duplicate receipt forms.

Recommendation

The Principal should ensure that

- Pershing funds are only used for their intended purposes.
- A separate pre-numbered duplicate receipt books is used for funds received by Pershing High School, and
- All funds received by Pershing High School are deposited into its account.

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MANAGEMENT RESPONSE

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.

As we move forward, please know I am looking forward to working with your team to make sure that DPS becomes the epitome of excellence. Your recommendations are noted and received as helpful.

Warm Regards,

Deborah K Jenkins, Ed. D.
Principal

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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 W. Bailey, CIA
Auditor General