

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF ROBERTO CLEMENTE ACADEMY School Year 2008-09

REPORT NO: 09-035

REPORT DATE: June, 2009

Fisher Building · 3011 West Grand Boulevard · Suite 601A · Detroit, Michigan 48202

Office: (313) 873-7685 · Fax: (313) 873-7028

**DETROIT PUBLIC SCHOOLS
ROBERTO CLEMENTE ACADEMY
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BACKGROUND

For School Year 2008 - 2009, 750 students were enrolled at Roberto Clemente Academy which has grade levels Pre-Kindergarten through fifth. Ms. Helena Lazo was the Principal and has been serving in this capacity for the past five years. The bookkeeping duties have been performed for the past six months by Ms. Wendella Young, Secretary.

Roberto Clemente Academy maintains one commercial checking account with Comerica Bank. Primary sources of General School Funds include fundraisers, community donations, and district grants (Skillman Foundation and United Way Grant). The primary source of District Fund Revenues is the lunchroom collections.

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. 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 example, lunchroom deposits.

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SCOPE & METHODOLOGY (continued)

- 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>	\$ 52,819

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted control weaknesses related to compliance with District cash management policy. Specifically, bank reconciliations were not prepared

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

Achievement:

Roberto Clemente Academy was a recipient of the *Skillman Foundation Good Schools Grant* in 2008, with a designation as an Improving School. This indicates that they met criteria such as: (1) Show overall improvements over the last two years; (2) Have improved MEAP scores, with a 10-percent increase in two subject areas; (3) Have sufficient parental and community partnerships.

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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)

The following non-compliance issues were noted: Bank reconciliations were prepared by an outside vendor from July 2008 through December 2008. In January 2009, the vendor's contract was not renewed and the bank reconciliations were not prepared by the bookkeeper at the time of our audit. The bank reconciliations January 2009 through March 2009 were prepared by the auditors.

Cause

School officials stated they were unaware of the District's SAFM as it relates to the requirement for using a pre-numbered duplicate receipt book. The bookkeeper had not been trained on the preparation of the bank reconciliations.

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 2006-2007.

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.

MANAGEMENT RESPONSE

Management Responses provided by Ms. Helena Lazo:

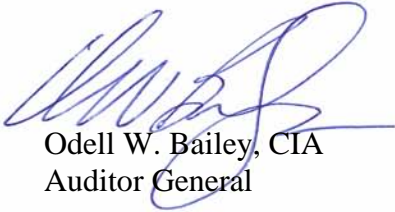
Thank you for your feedback on the audit of Roberto Clemente Learning Academy's cash management system. I appreciate the auditors' preparation of the bank reconciliations from January 2009 to March 2009, the period that we were without a bookkeeper.

As the lead administrator of our school, I will ensure that we comply with all District's fiscal regulations and policies.

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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