

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF SAMPSON-WEBBER ACADEMY School Year 2008-09

REPORT NO: 09-167

REPORT DATE: June 30, 2009

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BACKGROUND

For the 2008-2009 School Year, 600 students were enrolled at Sampson-Webber Academy, which has grade levels sixth through eighth. Dr. Regina Randall was the Principal during this time period and had been serving in that capacity since February 2009. Previously, Dr. Randall was Principal of Westside Multicultural from July 2008 through February 2009. Prior to Dr. Randall, Dr. Sabrina Smith-Campbell served as Principal of Sampson-Webber from July 2007 until she took a Medical Leave of Absence.

Ms. Verla Taylor, Head Secretary, performed the bookkeeping duties and has done so since 2007.

Sampson-Webber Academy maintains one commercial checking account at Comerica Bank. Primary sources of General School Funds are from student activities, fundraisers and social committee dues. 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. Performed 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 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)

ACCOU TYPE	AMOUNT
<u>Commercial Checking Account Deposits</u>	\$1,326

AUDIT RESULTS IN BRIEF

Based on our audit of the Sampson-Webber Academy 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.
 - Check request forms were not used to authorize check requests.
 - No general ledger was maintained.
 - Cash receipts were not deposited in a timely manner.
 - Bank reconciliations were not prepared.
 - Checks were signed without indication of the payee or amount.
- Savings Bonds belonging to graduated students were located in the school vault.

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 function within the District.

The following non-compliance issues were noted:

- Check request forms were not used to authorize check requests.
- No general ledger was maintained.
- Cash receipts were not deposited in a timely manner.
- Bank reconciliations were not prepared.
- Checks were signed without indication of the payee or amount.

Cause

School officials stated that they were unaware of the requirements to use certain forms for cash activity and check requests included in the District’s SAFM.

Effect

Lack of adherence to District policies related to cash receipts and disbursements results in non-standardize procedures that can vary with each school, which can result in processing inefficiencies. In addition, failure to request and approve cash disbursements can result in inappropriate or unauthorized purchases.

Recommendation

The Principal should ensure that all staff members participating in financial transactions are familiar with and trained on District policy for cash management activities as detailed in the “School Administrative Financial Manual 2006-07.” In addition, signing checks without payee or amount information increases the risk of misappropriation. Having a fiduciary responsibility for school funds, the principal should be diligent about eliminating such practices that could expose the school to losses due to theft.

Also, the Principal should ensure that all individuals involved in the cash management process are aware of where current District polices 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 – Savings Bonds belonging to graduated students in school vault:

Six savings bonds, issued in the names of students that have graduated, were located in the school vault. The bonds' issue dates are December 1, 1995.

Cause

School officials stated that they were unaware of the origin of the bonds or that they were in the school.

Effect

Failure to issue awards to students for which they are intended results in a breach of the District's fiduciary responsibility. At the same time, failure to ensure that the Bonds which are distinguished with the names of former students could be misconstrued as a deliberate effort to deny the rightful owners of their property, which in turn, could pose a liability for the District.

Recommendation

The Principal should take the required actions to ensure that these bonds are delivered to the rightful owners immediately. Moreover, the assistant superintendent responsible for this school should further ensure that these actions are taken.

In the future, the principal should ensure that all awards, monetary and other, issued by and/or through the school are delivered to the intended students immediately.

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MANAGEMENT RESPONSE

Management Responses provided by Mr. Alvin Wood, Principal (new principal):

As the new principal of Sampson-Webber Academy, I will agree with the findings of the school audit even though I was not the principal during the time of the audit and have no specific knowledge of the information shared.

Corrective Action Plan which will be adopted by Sampson Webber Academy to adhere to areas needing improvements:

1. Check request forms were not used to authorize check requests: (School will utilize AC-4 check request form which must be used for any specific school check request)
2. No general ledger was maintained: (I will review this finding with school secretary and make sure that appropriate ledger is utilized. If there are any questions I will have the secretary follow-up with the accounting department for assistance)
3. Cash receipts were not deposited in a timely manner: (I will review with secretary this finding and make sure that cash receipts are prepared and ready for DPS cash on hand pickup based on schedule given by school district.)
4. Bank reconciliations were not performed: Prior to my becoming principal I was informed by Assistant Superintendent, Sharron Appling that the bank statements for Sampson-Webber were not coming to the school. It seemed that no one from the school or district solved this problem. Once informed about this problem, I took steps to solve it. I met with individuals within the accounting department and we worked on solving the problem. The bank account at Comerica Bank was closed out and the district opened another account for the school at Chase. All appropriate paperwork was completed.

We are now only waiting for appropriate checks to be sent to school. Hopefully soon. No one was able to tell me why this situation went on for so long without being solved. But action was taken by myself and thus account reconciliations can be completed by secretary which she was not able to do based on the fact that she had no bank statements.

5. Checks were signed without indication of the payee or amount: I will review this finding with school secretary and make sure that appropriate steps are in place which means that before appropriate signatures are given all specific lines within check and appropriate documentation is in place.

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MANAGEMENT RESPONSE (continued)

6. Savings Bonds from 1995 belonging to graduated students in school vault: I will consult with Diane Fleming, Regional Superintendent to find out what would be the appropriate steps to deal with this situation being that this is now year 2009. After 14 years appropriate district officials would have to respond as to what and how to solve this problem. I can state that at no time that I am principal will this type of situation occur. All awards that may be given to students must be given to them immediately.

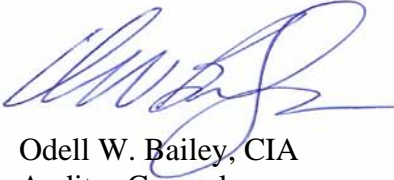
Finally I will review with secretary where the School Administrative Financial Manual is on the intranet for review, along with contacting appropriate individuals within the district for any specific questions related to school finances.

Alvin Wood
Principal
Sampson-Webber Academy

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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.

A handwritten signature in blue ink, appearing to read 'Odell W. Bailey', is positioned above the printed name.

Odell W. Bailey, CIA
Auditor General