

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF WESTSIDE MULTICLURAL ACADEMY School Year 2008-09

REPORT NO: 09-189

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
WESTSIDE MULTICULTURAL ACADEMY
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BACKGROUND

For School Year 2008 – 2009, 300 students enrolled at Westside Multicultural Academy which has grade levels Pre-Kindergarten thru Eighth. Dr. Frano L. Ivezaj was the Principal during this time period and has been serving in this capacity since January 2009. Dr. Ivezaj is currently performing all of the bookkeeping duties including preparation of the monthly bank reconciliation.

Westside Multicultural Academy maintains one commercial checking account. Primary sources of General School Funds include community donations (United Way) and district grants (Skillman). The lunchroom collections are deposited into the general school checking account and then remitted to the district periodically.

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.

**DETROIT PUBLIC SCHOOLS
WESTSIDE MULTICULTURAL ACADEMY
FINANCIAL AUDIT
REPORT NO. 09-189**

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>	\$ 1,020

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,

- Disbursements were not approved by the Principal
- Supporting documentation for expenditures was not available when requested
- Bank reconciliations were not signed by the preparer and/or reviewer
- Bank reconciliations were not prepared

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

Achievement:

Westside Multicultural Academy was a recipient of the *Skillman Foundation Good Schools Grant* in 2008, with a designation as an Aspiring School. This indicates that they met criteria such as: (1) Close to becoming a High Performing, or Improving school; (2) Improved MEAP scores, with a 5-percent increase over the prior year; (3) Have sufficient parental and community partnerships.

**DETROIT PUBLIC SCHOOLS
WESTSIDE MULTICULTURAL ACADEMY
FINANCIAL AUDIT
REPORT NO. 09-189**

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:

- Disbursements were not approved by the Principal or Assistant Principal.

- Supporting documentation for expenditures were not maintained:

MONTH	CHECK NO.	AMOUNT
November	1179	\$1,452.05
February	1208	268.40
March	1219	69.00

- There was no evidence of Bank reconciliations being reviewed and approved by the Principal.
- Bank reconciliations were not signed or dated by the preparer.
- Bank reconciliations were not prepared for the months of November 2008 thru March 2009.

Cause

School officials stated they were aware of the District’s SAFM; however, the bookkeeping process was affected by the transition of a new Principal and the prior practices of the former Principal. As a result, the school failed to comply with some requirements.

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 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.

**DETROIT PUBLIC SCHOOLS
WESTSIDE MULTICULTURAL ACADEMY
FINANCIAL AUDIT
REPORT NO. 09-189**

MANAGEMENT RESPONSE

Management responses provided by Dr. Frano L. Ivezaj, Principal:

- 1. "Disbursements were not approved by the Principal."**
Westside Multicultural Academy does not have an assistant principal. Each check request will be accompanied by a "Check Request Form" approved by me, Dr. Frano Ivezaj, Principal.
- 2. "Supporting documentation for expenditures was not available when requested "**

MONTH	CHECK NO.	AMOUNT	EXPLANATION
November	1179	\$1, 452.05	I was not the principal of WMA in this month and therefore have no knowledge of this expenditure.
February	1208	268.40	This check was for the Daily Cash Intake of the Food Service Program for the month of February. The "Daily Cash Report" for February can be found in the back of the documentation book along with all of the others for previous and latter months. Available for review upon request.
March	1219	69.00	This check was for a membership for a teacher into the Skillman Foundation NAEYC. The teacher paid with her credit card which she submitted. This check reimbursed her for the payment. Henceforth, a copy of the credit card statement will accompany reimbursement checks when credit card statements are used as documentation.

- 3. "There was no evidence of Bank reconciliations being reviewed and approved by the principal".**
The principal reviews and approves all bank reconciliations. Henceforth, a statement to that effect will accompany each bank statement.
- 4. "Bank reconciliations were not signed or dated by the preparer."**
This will be corrected. Henceforth the preparer will sign and date all bank reconciliations.
- 5. "Bank reconciliations were not prepared for the months of November 2008 thru March 2009."**
I was appointed principal in January 2009 therefore I cannot speak to the months of November and December. However, since then (January thru March), the reconciliations have indeed been prepared and are enclosed in the documentation book by month. Available for review upon request.

**DETROIT PUBLIC SCHOOLS
WESTSIDE MULTICULTURAL ACADEMY
FINANCIAL AUDIT
REPORT NO. 09-189**

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 written over a faint, illegible stamp.

Odell W. Bailey, CIA
Auditor General