

# Detroit Public Schools Office of the Auditor General



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## FINANCIAL RELATED AUDIT OF DETROIT LIONS ALTERNATIVE EDUCATION School Year 2008-09

**REPORT NO: 09-060**

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**REPORT DATE: June 30, 2009**

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**DETROIT PUBLIC SCHOOLS  
DETROPOT LIONS ALTERNATIVE EDUCATION  
FINANCIAL AUDIT  
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**BACKGROUND**

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For School Year 2008 – 2009, 141 students enrolled at Detroit Lions Alternative Education which has grade levels Sixth through Eighth. Ms. Cheryl White was the Principal during this time period and has been serving in this capacity over the past eight years. Due to the small amount of activity, Ms. White is currently performing all of the duties related to the bookkeeping process at the school.

Detroit Lions Alternative Education maintains one commercial checking account with Chase Bank. Primary sources of General School Funds include community donations and district grants (Title 1). 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:

- 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.

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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 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)**

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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	AMOUNT
<u>Commercial Checking Deposits</u>	\$ 21,292

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**AUDIT RESULTS IN BRIEF**

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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 signed or dated by the Preparer or the Reviewer,

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

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**AUDIT FINDINGS**

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**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 not signed by the Preparer and Reviewer.

**Cause**

School officials stated they were unaware of the District's SAFM and therefore were not aware of certain forms and requirements for cash receipt activity.

**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.

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**MANAGEMENT RESPONSE**

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Odell W. Bailey, Auditor General, Detroit Public Schools  
3011 W. Grand Blvd.  
6<sup>th</sup> Floor Fisher Bldg, Ste.601 A  
Detroit, MI 48202

July 13, 2009

Dear Mr. Bailey,

I concur with the audit findings that bank reconciliations were not signed by the Preparer to indicate they were reviewed. In the future all bank reconciliations will be signed or dated by the Preparer or the Reviewer.

I will ensure that all staff responsible for financial transactions will be trained on District policy for cash management activities, as detailed in the "School Administrative Financial Manual 2006-07".

Sincerely,

Cheryl C. White, 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.

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