

# **Detroit Public Schools Office of the Auditor General**



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## **FINANCIAL RELATED AUDIT OF CASS TECHNICAL HIGH SCHOOL**

**School Year 2008-09**

**REPORT NO: 09-029**

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**REPORT DATE: June 30, 2009**

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**DETROIT PUBLIC SCHOOLS  
CASS TECHNICAL HIGH SCHOOL  
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**BACKGROUND**

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For School Year 2008 - 2009, 2,088 students were enrolled at Cass Tech High School which has grade levels 9<sup>th</sup> through 12<sup>th</sup>. Ms. Lenora Ashford was the Principal during this time period and has been serving in that capacity for the past three years.

Ms. Bernadette Kakooza, Accountant and Ms. Raquel Branch, Bookkeeper, perform the bookkeeping duties and have been doing so since 2003 and 2008, respectively. Ms. Kakooza's responsibilities include reviewing the work of the bookkeeper and preparing the monthly bank reconciliations and other financial reporting information. Ms. Branch's responsibilities include collecting cash receipts, preparing funds for deposit and maintaining the financial records.

Cass Tech High School maintains both a commercial checking account and a savings account with Comerica Bank. The school also currently holds seven certificates of deposit (ranging in value from \$5,000 to \$50,000) with Comerica Bank. Primary sources of General School Funds include vending machines, fundraisers, admissions, senior class events (prom, dues, and yearbook), school fines, community donations, and district grants (Compact, Skillman). The primary source of District Fund Revenues is the Food Service (i.e., lunchroom collections) and athletic event.

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**AUDIT OBJECTIVES**

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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

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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.

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**SCOPE & METHODOLOGY (continued)**

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

CATEGORY	AMOUNT
<u>Commercial Checking Deposits</u>	\$ 394,078

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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 fundraising proceeds, which were not properly safeguarded.

Achievement:

Cass Technical High School 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 previous year; (3) Average performance in English, math, and science.

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**AUDIT FINDINGS**

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**1. Finding – Fundraising proceeds were not properly safeguarded**

The “School Administrative Financial Manual 2006-07” (SAFM) governs the cash management function within the District including adequate safeguarding of assets.

Fine Arts fundraising proceeds were not properly safeguarded before being submitted to the bookkeeper.

**Cause**

The Orchestra Instructor took proceeds from concession sales home at the end of the events.

**Effect**

Cash receipts are more susceptible to loss, theft or misappropriation.

**Recommendation**

The Principal should ensure all cash receipts are submitted to the Bookkeeper immediately after an event. If for some reason this is not possible, the Principal ensure staff authorized to conduct fundraising activities properly safeguard proceeds in a locked safe location within the school.

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**MANAGEMENT RESPONSE**

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**Detroit Public Schools  
Lewis Cass Technical High School  
2501 Second Avenue  
Detroit, MI 48201**

***“Nationally Recognized School of Excellence”***

September 15, 2009

Odell W. Bailey  
Auditor General  
Detroit Public Schools  
3011 W. Grand Blvd.  
Suite 601A Fisher Building  
Detroit, MI 48202

Dear Mr. Bailey:

After reviewing the report and findings, the following actions were initiated.

- (1) An individual conference was held with the responsible teacher regarding a failure to follow procedures. During the conference, the Teacher handbook, previous memos regarding financial procedures, and the checklist for submitting requests for fundraisers were reviewed with the teacher.
- (2) At a subsequent general faculty meeting, the entire staff were reminded of the correct procedures and advised that their ability to adhere to operating guidelines would determine whether authorization of subsequent fundraisers would be granted.
- (3) The fundraising approval process has been revised to include additional reminders relative to protocols that must be followed.

Periodically, during the ensuing year, reminders will be provided to keep faculty/staff cognizant of their need to follow proper procedures.


Thank you for your assistance in making our operations more efficient and effective.

Sincerely,  
*Lenora Ashford*  
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