

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF CENTRAL HIGH SCHOOL School Year 2008-09

REPORT NO: 09-030

REPORT DATE: June 30, 2009

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

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

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BACKGROUND

For the 2008-2009 School Year, 1,200 students were enrolled at Central High School which has grade levels ninth through twelfth. Mr. Anthony Womack was the Principal of the school during this time period and has been serving in that capacity since 1999.

Ms. Gwendolyn Huston, Clerical II, performed bookkeeping duties and has done so since 2005.

Central maintains one commercial checking account at Comerica Bank. Primary sources of General School Funds are student activities and fundraisers. Sources of District Fund Revenues include Food Services (i.e., lunchroom) and Athletics (i.e., ticket and concessions sales from football, basketball and other events).

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.

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SCOPE & METHODOLOGY (continued)

- 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.

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>	\$58,483

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted the following control weaknesses:

- Non-compliance with District cash management policy and/or ineffective practices:
 - Fundraiser Profit and Loss statements were not maintained for some fundraisers.
- Athletic gate receipts were not deposited into the District Revenue Account.

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 process. Profit and Loss statements were not maintained for some fundraisers and forwarded to Central Accounting

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, 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.

2. Finding – Athletic Receipts were not Deposited into the District’s Revenue Account:

The “School Administrative Financial Manual 2006-07” (SAFM) governs the cash management function within the District including specific procedures for district revenue: “The District uses a blue Revenue deposit ticket. The blue deposit tickets are used for collection of funds from fines, summer school, extended day, athletics and other revenue.” The SAFM also states that “the school acts as the agent, collecting monies for the School District... Funds deposited into this account are:

- a. Lunchroom receipts
- b. Fines
- c. Athletic/league game receipts
- d. Summer school tuition
- e. Evening school tuition...”

Athletic game receipts were not forwarded to the District revenue account. Although it is common practice to deposit athletic game receipts into the school checking account, this is not in compliance with policy.

AUDIT FINDINGS (continued)

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Cause

Lack of adherence to District policies.

Effect

Lack of adherence to applicable policies and proper accounting practices could result in the District's inability to fully access and utilize all available funds in an optimum manner. While the District realizes the expense portion of athletic financial transactions via the school's submission of an AC-24 form with its relevant costs, it does not have the benefit of processing the revenue side of the financial transaction.

Recommendation

The Principal should ensure that all financial activity related to gate receipts (i.e., revenue and expenses) are processed in accordance with established policies and procedures.

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MANAGEMENT RESPONSE

Management response prepared by Mr. Steven McGhee Principal.


The new principal of the University of Central Preparatory High School, Steven McGhee, and the bookkeeper, Glenda Carter are aware of the non-compliance of the districts bookkeeping policies and procedures.

- 1) Profit and Loss Statements will be maintained and supported by school funds that are turned into the bookkeeper and a copy of the financial statement will be forwarded to the Central Office of Accounting.
- 2) We will continue to follow the Districts Athletic policy of depositing gate/concessions into our school accounts until the District clarifies its position of sending monies to the District general accounts.

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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