

Detroit Public Schools Office of the Auditor General



OFFICE OF HEALTH, PHYSICAL EDUCATION, SAFETY AND ATHLETICS

REVIEW OF CASH RECEIPTS PROCESS AT BASKETBALL GAMES

School Year 2009-10

REPORT NO: 09-195

REPORT DATE: APRIL, 2010

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OBJECTIVE, SCOPE & METHODOLOGY

The objective of our review was to assess the internal controls over cash receipts at Detroit Public Schools (DPS) basketball athletic events. The scope of our review was the cash management procedures observed and documented during and subsequent to DPS basketball games for School Year 2009 - 2010.

The Office of the Auditor General (OAG) performed this review by attending basketball games listed below and observing the cash management procedures. The OAG noted differences between our observations and policies and procedures outlined in the School Administrative Financial Manual (SAFM) and DPS Interscholastic Athletic Manuals.

GAMES OBSERVED

- | | | |
|-------------------------|-------------------------|------------------------------|
| 1. King @ Cass Tech | 9. Crockett @ DIA | 17. Denby @ Osborn |
| 2. King @ Central | 10. Western @ Douglass | 18. Denby @ Pershing |
| 3. DIA/Douglass @ City | 11. Pershing @ Finney | 19. Henry Ford @ Renaissance |
| 4. Western @ CMA | 12. Mumford @ Ford | 20. Osborn @ Southeastern |
| 5. Renaissance @ Cody | 13. Denby @ Kettering | 21. City @ Southwestern |
| 6. Renaissance @ Cooley | 14. Northwestern @ King | 22. Southwestern @ Western |
| 7. Cass @ Crockett | 15. Cooley @ Mumford | |
| 8. Finney @ Denby | 16. King @ Northwestern | |

BACKGROUND

At the direction of the Emergency Financial Manager, Robert Bobb, the OAG attended sporting events and monitored cash handling activities and processes at the various schools. During the fall 2009, the OAG performed a similar review of procedures during football season. At that time, a report was issued noting practices which were not in compliance with policies and procedures outlined in the SAFM and Athletic Manual. This review assesses the current cash receipts practices in place at DPS basketball games during School Year 2009 - 2010.

FINANCIAL RESULTS

For the 22 regular season games we attended, we noted nearly \$19,000 was collected from gate receipts and concession sales, for an average of \$862 per game. This represented one home game for each high school team. With cash receipts in this amount, effective controls should be in place to ensure all funds are properly accounted for and deposited. While we did not review the cash management procedures of post season and tournament games, we noted the Office of Health, Physical Education, Safety and Athletics (Office of Athletics) collected nearly \$100,000 from these activities over the four-month period of December 1, 2009 through April 1, 2010.

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OBSERVATIONS

The Office of the Auditor General observed the cash management procedures at 22 games and noted practices that were not in compliance with the SAFM and Athletic Manual. In addition, we observed inconsistent practices which varied by school. Specifically, we noted the following:

Non-Compliance with the SAFM and Athletic Manual

Based on our observations and review, we noted the following instances of non-compliance with the SAFM and Athletic Manual occurred at one or more locations:

1. Condition

- Ticket selling and ticket taking performed by same person.
- Cash was accepted without tickets being sold
- Concession sales were not recorded on an approved fundraising form

Effect

- There is no assurance that all cash collected is properly accounted for and increases the risk of theft without ensuring (1) all attendees received a ticket and (2) the number of tickets sold reconciles to the amount of cash collected.

2. Condition

- Initial gate and concessions funds were not provided by the Bookkeeper

Effect

- Requires funds be loaned from personal sources and repaid out of cash receipts prior to reconciliation, which results in co-mingling school and personal funds without dual control to verify transaction. This, in turn, reduces accountability over cash receipts.

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3. Condition

- Cash proceeds were not immediately reconciled
- Cash proceeds reconciled by one person

Effect

- Increases the risk that errors go undetected and reduces the accountability over cash receipts

4. Condition

- Cash proceeds were not deposited into the Office of Athletics Revenue Account
- Untimely deposit of funds

Effect

- Funds collected are not available for their intended purposes

Inconsistence Implementation of Policies

While observing the athletic events, we noted there were no uniform practices being followed from the Office of Athletics in the following areas:

1. Free admission for Staff, Administrators, Coaches, Scouts, Children, etc.
2. Food handling procedures for concessions
3. Inventory procedures for concessions

RECOMMENDATION(S)

To address the instances of Non-Compliance with the SAFM and Athletic Manual, we recommend:

- The Office of Athletics train all Athletic Coordinators on the cash management process and monitor for compliance.

To address the lack of Standards, we recommend:

- The Office of Athletics issue policy to address the noted areas to help ensure consistency among participating high schools.

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At the time of our prior report, September 2009, the Office of Athletics concurred with the observations and agreed to address the proposed corrective actions. However, based on our observations over the basketball season, it appears many of the suggested corrective actions from our prior report were not implemented or followed.

MATTERS FOR CONSIDERATION

To help ensure cash collected is properly safeguarded at the time of collection and after the sporting event, management from the Office of Athletics should consider:

1. Working with the Finance Department to establish cash management processes that allow greater monitoring of athletic activities at the schools. Consider implementing a requirement for reports such as the Ticket Sales Reconciliation to be submitted for each sporting event or periodically.
2. Working with the Office of Public Safety to ensure officers are present at games on time and near the ticket seller.
3. Working with Payroll to develop a method to ensure DPS staff that work additional hours at sporting events are paid through the normal payroll process and not with a check from the school's bank account utilizing the AC-24 process.

Our review was performed in accordance with U.S. General Accounting Office Government Auditing Standard and Standards of the Institute of Internal Auditors.

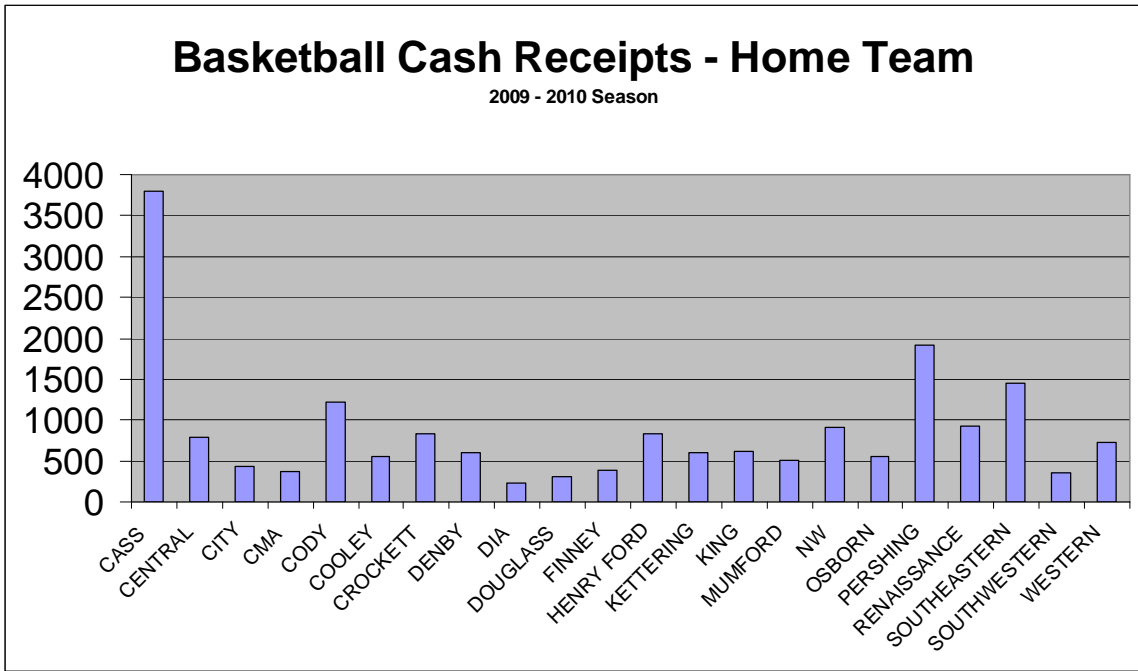
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Odell W. Bailey, CIA
Auditor General

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APPENDIX



HOME TEAM GAMES

<u>Game</u>	<u>Receipts</u>	<u>Game</u>	<u>Receipts</u>	<u>Game</u>	<u>Receipts</u>
Cass Tech	\$3,802	DIA	\$239	Osborn	\$550
Central	790	Douglass	309	Pershing	1,920
City	437	Finney	390	Renaissance	923
CMA	372	Ford	828	Southeastern	1,455
Cody	1,218	Kettering	600	Southwestern	351
Cooley	555	King	625	Western	731
Crockett	839	Mumford	512		
Denby	607	Northwestern	918		

Note: The highest and lowest gross game receipts are bolded for quick recognition.

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MANAGEMENT'S RESPONSE

As provided by Ms. Sharon Appling, Athletics and Senior Coordinator:

Office of Athletics Response

The Office of Athletics concurs with the Office of the Auditor General's purpose, observations and findings as published in Report Number 09-195. The Office of Athletics continues to work at clearly defining policy for uniform implementation involving professional conduct and accounting practices in order to correct past behaviors and to realize a paradigm shift towards full accountability across the District in the following target areas.

- Coaching Professionalism Supporting Sportsmanship Among Scholar-Athletes
- Departmental Integrity
- Organizational Protocol
- Adherence to DPS Handbook (On-line) and Athletic Manual (Hard Copy) Guidelines
 - Athletic Coordinator/Coach Responsibility and Accountability
 - Student Eligibility
 - Cash Flow Procedures
 - Pre-ticket sales
 - Game Admission Policy
 - Concessions

Each assigned Athletic Coordinator received direction from the Office of Athletics with the distribution of the manual, the handbook, reconciliation forms and other protocols outlining operational standards and expectations.

Additionally, the Senior Coordinator and (after of 01-11-10) the Administrator of Athletics, monitored the ticket and concession sales at weekly basketball games in the schools. Starting in November, the Office of Athletics worked with the Office of Almon Turner (LaWanda Taylor) to outline a District Athletics Cash Flow Procedure, update forms, plan for the purchase of school safes, post for hire high school accountants, and outline the training of principals/athletic coordinators.

Implementation of District Athletic procedures remains problematic. Breaches of standard ticket sales protocols, game admissions rules, concession handling, reconciliation of ticket sales and local school accounting practices continued to surface.

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Planned Departmental Corrective Actions

- The position of Athletic Coordinator must be redefined. Currently Athletic Coordinators are Assistant Principals, Teachers with five classes, Non-board employees or Attendance Agents. None currently are Athletic Coordinators as their primary job assignment.
- Time during the school day must be provided for task completion.
- Autonomy over the selection, placement and evaluation of Athletic Coordinators must be given to the Office of Athletics with the approval of the School Principal.
- Compensation rates must be aligned with the Office of Athletics performance expectations.
- Additional training, support and progressive discipline must be applied by the Office of Athletics.
- Timely processing of seasonal sports start-up checks to school athletic accounts would eliminate the use of personal cash transactions for door sale banks and concessions. Standard and uniform procedures would be more enforceable.
- Time and access to electronic data keeping forms and spreadsheets must be implemented to effectively manage reporting tasks.
- High schools should be assigned accountants to manage the volume of cash generated by sports events as prescribed in provided guidelines; especially during the fall and winter seasons.
- The collaboration of multiple central office departments is required to produce a sustained implementation of standardized athletic guidelines, policies and procedures.
- Weekly review meetings to share the findings resulting from the Auditors' visits of school sites by the Office of Athletics to intervene and apply corrective actions promptly during each season would assist in the implementation and enforcement of standardized guidelines.
- A committee of Athletic Coordinators, Community and Office of Athletics Staff was selected to review, up-date and revise both the Manual and Handbook for the 2010-2011 school year.
- An Advisory/Governance Board has been planned by the Administrator of Athletics to assist with the implementation, monitoring and evaluation of Office of Athletic standard policy and procedures for the 2010-2011 school year.