

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF BLACKWELL INSTITUTE School Year 2008-09

REPORT NO: 09-013

REPORT DATE: June, 2009

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BACKGROUND

For School Year 2008 – 2009, approximately 604 students were enrolled at Blackwell Institute, which has grade levels Pre-Kindergarten through Eighth Grade. Ms. Patricia Hines was the Principal during this time period and has been serving in this capacity since February 2008. Prior to that, Ms. Hines served as Assistant Principal for seven years.

Ms. Rose Gant, Head Secretary, performs the bookkeeping duties and has done so since 2008 with the assistance of Ms. Katrina Davis, Curriculum Coordinator whom has helped with bookkeeping duties for two years. In addition, Blackwell Institute utilizes an outside Accountant, Sandra Campbell of Pacemaker Accounting to prepare their financial records.

Blackwell Institute maintains a commercial checking account with Comerica Bank. Primary sources of General School Funds include student activities, special project funds (i.e., Skillman Grant). Sources of District Fund Revenues include Food Services (i.e., lunchroom).

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 and District School Funds (July 2008 – March 2009)

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$42,403

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted the control weaknesses related to compliance with District cash management policy. Specifically,

- Check request forms were not used to authorize check disbursements.
- Lack of supporting documentation for receipts and expenditures.

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

Achievement

Blackwell Institute is a recipient of the *Skillman Foundation Good Schools Grant* with a designation as an Aspiring School. This indicates that they have met criteria such as: (1) Improved MEAP scores with a 5% increase over the prior year; (2) Have an average performance in English, math and Science; and (3) Sufficient parental and community partnerships, etc.

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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 function within the District.

- Check request forms were not used to authorize check disbursements.
- Lack of supporting documentation for receipts and expenditures. Specifically, we noted two cash receipts totaling, \$2,424 were logged on the Cash Receipts Journal without a receipt being issued. In addition, we noted three checks totaling, \$3,708 were disbursed, and again no documentation was present to determine the recipient of funds.

Cause

The school official stated that she was unaware of the District’s SAFM and therefore was not aware of the requirement to use certain forms for cash receipts and check requests.

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 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

Catherine C. Blackwell Institute

Memorandum

To: Odell W. Bailey, CIA
Auditor General

From: Patricia Hines, Principal

Re: Management response to financial audit report

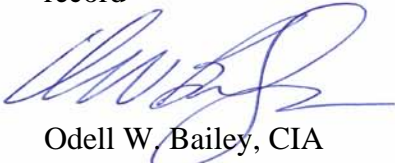
At the time of the audit, the Principal and staff of Catherine C. Blackwell Institute were not familiar with the school administration financial manual dated 2006-2007. However, we have reviewed the material and taken the necessary steps to ensure that our school's financial records are reflective of the standards set forth in this manual.

If any further information is needed, please feel free to contact me at (313) 866-4391 or 313-790-3450.

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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