

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

2007-04 Establishing Internal Audit

Finding Type: Internal Control over Financial Reporting – Material Weakness

Fiscal Year: July 1, 2006 to June 30, 2007

Requirement

It is essential that all organizations seeking a sound internal control environment establish a tone at the top that supports internal audit as an essential component to achieving financial, technological, and operational success. The internal audit department can provide monitoring of internal control activities as well as assessments of whether internal controls are designed appropriately and operating effectively. An internal audit department also is able to assist with monitoring and assessing compliance with laws, regulations, grant agreements, and contracts.

Condition

The District does not have an internal audit department.

Possible Asserted Cause and Effect

An internal audit department has not yet been established due to the extended period of time under which a search for an internal audit executive has taken place. A lack of an internal audit department is a detriment to the entire internal control environment. Not having internal audit reduces the effectiveness of deterring and detecting errors, irregularities, or fraud.

Recommendation

Internal audit should be established immediately, and its scope of work should not be limited and should be based on appropriate risk assessments of District operations.

Views of Responsible Officials

We understand and agree with the noted observation and are working toward corrective actions.

Corrective Action Plan

Signature

Date