

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

2007-06 Capital Asset Impairments Assessment

Finding Type: Internal Control over Financial Reporting – Material Weakness

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

Requirement

Capital Asset Impairment: Per Michigan Public School Accounting Manual, Section II, Paragraph A.01, a school district financial record system should be adequate to provide financial and related operational information for all interested parties: the school board; the administration; the public; auditors; local, state, and federal authorities; and school employees. The adequacy of the accounting systems depends on whether both current and historical information is available for decision-making purposes. The accounting system should be designed to demand accuracy and a reasonable degree of internal control. A school district accounting system should be consistent with generally accepted governmental accounting principles. GASB 42, Par. 16: Impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value. Capital assets impaired from construction stoppage also should be reported at the lower of carrying value or fair value.INSERT OBJECT

Condition

During our testwork over capital asset impairment, we selected all schools that were subjected to impairment testing according to GASB 42. Through discussion with management and inspection of related documentation, we noted that documentation was not retained by the District for the calculation of the impairment that it recorded during the year ended June 30, 2007. The initial impairment analysis provided by the District indicated an impairment of \$2,099,088; however, since documentation was not retained, the District conducted another analysis and as a result indicated an additional impairment amount of \$2,397,716.

Possible Asserted Cause and Effect

The procedures used to calculate impairment did not include an appropriate document retention or management review policy

Recommendation

Internal control and accounting procedures should include a document retention policy. Additionally, all procedures that result in accounting entries should include a review of the calculations and underlying supporting documentation by another member of management to ensure that calculations are accurate, assumptions are reasonable, and that supporting documentation is available and supports the conclusions reached.

Views of Responsible Officials

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

Corrective Action Plan

Signature

Date