

**DETROIT PUBLIC SCHOOLS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

**2007- 10 Procurement – Receiving**

**Finding Type: Internal Control over Financial Reporting – Significant Deficiency**

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

***Requirement***

*Procurement:* Per Michigan Public School Accounting Manual, Section VI, Paragraph A.07, approved purchase orders should be used for all purchases in accordance with district policy; receiving documents should be attached to and filed with applicable invoices; and internal controls should exist to prevent duplicate payment of invoices.

***Condition***

During our test work over procurement, we noted that the District’s system is designed to track receiving documents, and to require a three-way match of a receiver, purchase order, and invoice before payment is made; however, third-party receiving documents and closed purchase orders are not retained. Therefore, the District was unable to provide to us third-party receiving documentation for goods and services obtained from vendors. As a result, the District we were unable to verify that a three-way matching of purchase order, receiving document, and invoice occurred prior to disbursing funds.

***Possible Asserted Cause and Effect***

The internal control procedures are not designed to retain third-party receiving documents. Therefore, the District is at greater risk of inappropriate payments being made, including payments for goods and services never received.

***Recommendation***

We recommend that no funds are disbursed against invoices unless matched to both a valid purchase order or contract and a corresponding receiving document evidencing that the goods and services were properly received. The District should consider strengthening its internal control procedures by requiring third-party receiving documents to be faxed to a central location.

***Views of Responsible Officials***

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

***Corrective Action Plan***

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*Signature*

\_\_\_\_\_  
*Date*