

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

2007-11 Accounts Payable Subledger Reconciliation

Finding Type: Internal Control over Financial Reporting – Significant Deficiency

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

Requirement

Accounts Payable: Best practices in internal controls indicate that the ordinary course of operating activities should serve to monitor the effectiveness of internal control procedures. They include regular management and supervisory activities, comparisons, reconciliations, and other routine actions. In carrying out its regular management activities, operating management should obtain evidence that the system of internal control continues to function. When operating reports are integrated or reconciled with the financial reporting system and used to manage operations on an ongoing basis, significant inaccuracies or exceptions to anticipated results are likely to be spotted quickly. Virtually all employees play some role in effecting control. They may produce information used in the internal control system or take other actions needed to effect control. These actions may include performing reconciliations, following up on exception reports, performing physical inspections or investigating reasons for cost variances or other performance indicators. The care with which those activities are performed directly affects the effectiveness of the internal control system.

Condition

During our test work over accounts payable, we noted that a complete and accurate reconciliation between the accounts payable subledger and the general ledger was not performed. Per review of the account payable detail listing, we noted that the balance per the subledger was \$35,973,704; however, the balance of the general ledger was \$35,744,119, therefore, noting a difference of \$229,585. This difference was not investigated and resolved in a timely manner by an employee in the normal course of their duties.

Possible Asserted Cause and Effect

The internal control procedures related to evaluating and reviewing accounts payable is not properly designed to ensure that the subledger and general ledger reconcile. Therefore, accounts payable is not properly reviewed for completeness and accuracy.

Recommendation

We recommend that all subledgers are reconciled to the general ledger on a monthly basis and all differences discovered are investigated and resolved immediately.

Views of Responsible Officials

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

Corrective Action Plan

Signature

Date