

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

2007-12 Transaction Coding

Finding Type: Internal Control over Financial Reporting – Significant Deficiency

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

Requirement

Accounts Payable: 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. In addition, the accounting system should be designed to demand accuracy and a reasonable degree of internal controls.

Condition

During our test work over procurement, we selected a sample of 15 expenditures totaling \$10,955,726. Within our sample we noted that the invoice description for two (2) invoices totaling \$3,363,505 did not correlate to the trial balance account description.

Possible Asserted Cause and Effect

Individuals responsible for affixing account codes to requisitions, purchase orders, and invoices do not always use the correct accounts. Using incorrect expenditure account codes can result in misclassifications in the financial statements and can result in erroneous budgetary reports.

Recommendation

Individuals responsible for affixing account codes to requisitions, purchase orders, and invoices should receive regular communications from the accounting division and should receive ongoing periodic training.

Views of Responsible Officials

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

Corrective Action Plan

Signature

Date