

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

2007-23 Bank Reconciliations – Segregation of Duties

Finding Type: Internal Control over Financial Reporting – Significant Deficiency

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

Requirement

Per the Committee of Sponsoring Organizations of the Treadway Commission (the Internal Control – Integrated Framework COSO Report): Segregation of Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions. For instance, responsibilities for authorizing transactions, recording them, and handling the related asset are divided. A manager authorizing credit sales would not be responsible for maintaining accounts receivable records or handling cash receipts. Similarly, salespersons would not have the ability to modify product price files or commission rates.

Condition

During our test work over cash, we noted that there is a lack of segregation of duties in respect to preparing bank reconciliations, depositing cash receipts and checks for the same accounts.

Possible Asserted Cause and Effect

The internal control procedures related to evaluating and recording cash are not properly designed to ensure proper segregation of duties. Therefore, cash is not properly reviewed for completeness, accuracy, and existence. As a result, the bank reconciliations are prepared by the same individual who is responsible for depositing cash receipts and checks; therefore, creating a possibility of errors or misappropriation of assets.

Recommendation

We recommend that management improve the control procedures to result in a more consistent and thorough evaluation of segregation of duties between key accounting functions.

Views of Responsible Officials

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

Corrective Action Plan

Signature

Date