

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

2007-27 Individual Schools Bank Reconciliations – Nonperformance

Finding Type: Internal Control over Financial Reporting – Significant Deficiency

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

Requirement

Bank Reconciliations: Per Michigan Public School Accounting Manual, Section VI, Paragraph A.01, Internal accounting control is generally defined as the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that: the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Paragraph A.02 (C) states that bank accounts should be reconciled monthly.

Condition

During our testwork over cash, we noted that monthly bank reconciliations for the individual schools accounts were not being consistently performed throughout the 2007 fiscal year for 141 individual schools. Additionally, 62 schools were identified as not performing any monthly bank reconciliations for the full 2007 fiscal year.

Possible Asserted Cause and Effect

The individuals responsible for preparing and reviewing the schools bank reconciliations did not follow the prescribed internal control policies and procedures of the District. Additionally, the individual responsible for monitoring compliance throughout the year did not actively conduct monitoring activities. Bank accounts without appropriate reconciliations increase the risk of misappropriation of cash and errors that would go undetected.

Recommendation

Individuals not following policies of the District should be subject to personnel actions, including additional monitoring and training. The policy should also be revised to include specific actions to be taken when schools don't comply with the policy.

Views of Responsible Officials

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

Corrective Action Plan

Signature

Date