

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

2007-29 Journal Entry Documentation Retention

Finding Type: Internal Control over Financial Reporting – Significant Deficiency

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

Requirement

Missing Journal Entry Voucher and support: Per Michigan Public School Accounting Manual, Section VI, 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. The adequacy of the accounting system depends on whether both current and historical information are available for decision-making purposes.

Condition

During our testwork over financial reporting, we selected a sample of 30 journal entries totaling \$5,128,349,233. Within our sample, we noted that one (1) physical journal entry totaling \$5,260,183 could not be provided by the client.

Possible Asserted Cause and Effect

The internal control procedures related to evaluation and preparing accounting records are not properly designed to ensure that all accounting records are maintained. Therefore, the journal entry was not properly reviewed for completeness, accuracy, and existence. As a result, the journal entry could not be provided as of June 30, 2007, therefore, reducing the effectiveness of the audit trail.

Recommendation

We recommend that management improve the control procedures to result in a more consistent and thorough evaluation of the custody of accounting records.

Views of Responsible Officials

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

Corrective Action Plan

Signature

Date