

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

2007-30 Journal Entries – Authorization

Finding Type: Internal Control over Financial Reporting – Significant Deficiency

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

Requirement

Nonperformance of Journal Vouchers: 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 is available for decision-making purposes. The accounting system should be designed to demand accuracy and a reasonable degree of internal control. If so designed, it will automatically assist those who are performing daily work on the records as well as those who supervise them.

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 five (5) large data journal entry transactions totaling \$4,981,840,632 that were uploaded to the accounting system; however, they did not have a journal voucher or evidence of management review and approval.

Possible assertion cause and effect

Large data journal entries involve many lines of data and are therefore not processed in the same manner as most other manual journal entries. An absence of management review on such journal entries increases the risk that a journal entry with errors in it could be posted to the general ledger.

Recommendation

All journal entries and the related supporting documentation should be reviewed by a member of management prior to posting the entry to the general ledger.

Views of Responsible Officials

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

Corrective Action Plan

Signature

Date