

DETROIT PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

2007-32 Overriding Procurement Controls

Finding Type: Internal Control over Financial Reporting – Significant Deficiency

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

Requirement

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks that threaten achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.

Condition

During our inquiry and testwork over procurement, we noted that employees are capable of overriding controls to expedite the procurement process. As evidenced through our observation, employees can enter a requisition for material, and then approve the order without the permission of a supervisor, the purchase order is issued and the employee requesting the order receives the material. Materials are received at the warehouse, various departments, schools, and other locations.

Possible Asserted Cause and Effect

The internal controls related to procurement are not properly designed as overriding the internal control procedures is not properly controlled.

Recommendation

We recommend that management improve the control procedures to result in more consistent and thorough procurement of material and services. We recommend that all material be received at a central warehouse and delivered to the individual locations from the warehouse. If delivery is made to another location, the vendor should fax a delivery notification to the warehouse so that the warehouse staff can confirm delivery with the school or other location.

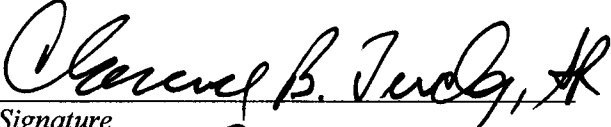
Views of Responsible Officials

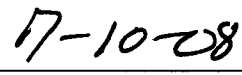
We understand and agree with the noted observation and are working toward corrective actions.

Corrective Action Plan

- **Issue District-wide Policy that an individual Requester cannot enter a requisition in PeopleSoft and process that same requisition without having been pre-approved by a higher "workflow" individual, namely the school principal or department administrator. The policy will also state that the Requester who entered the requisition cannot receive on the requisition unless staffing limitations prevent the separation of duties such that the same individual must perform both functions. In those situations where the Requester and the Receiver are the same individual, approval must be received from a higher "workflow" individual, namely the school principal or department administrator**
- **Fully implemented by 8/15/08**

RESPONSIBLE PARTY: Program Supervisor, C&P


Signature
CCO


Date