

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

September 30, 2009

Board of Education  
Free Soil Community School District  
Free Soil, Michigan

We have audited the financial statements of Free Soil Community School District as of and for the year ended June 30, 2009 and have issued our report thereon dated September 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered Free Soil Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Free Soil Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Free Soil Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses, as Fiscal 2009 Findings 1-4, to be a significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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***Internal Control Over Financial Reporting—Continued***

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, considered to be material weaknesses. However, of the significant deficiencies described above, we consider Fiscal 2009 Findings 1 and 2 to be material weaknesses.

***Compliance***

As part of obtaining reasonable assurance about whether Free Soil Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Free Soil Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Free Soil Community School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Brickley De Long, P.C.*

Free Soil Community School District  
**SCHEDULE OF FINDINGS AND RESPONSES**  
Year ended June 30, 2009

**COMPLIANCE**

There were *no* compliance findings in relation to the financial statements.

**SIGNIFICANT DEFICIENCIES**

**Fiscal 2009 Finding No. 1: MATERIAL WEAKNESS—Segregation of Duties**

*Criteria:* Duties should be adequately segregated so as to separate incompatible duties.

*Condition:* Certain employees have access to both physical assets and the related accounting records or all phases of a transaction.

*Cause:* The School District is a small organization with limited opportunities for the segregation of duties.

*Effect:* Errors in processing transactions and financial reporting and/or the misappropriation of assets could go undetected in a timely manner.

*Recommendation:* Segregation of duties should be strengthened, including but not limited to:

- Cash—Approval of all monthly bank reconciliations should be properly documented.
- Payroll—The payroll registers should be reviewed and approved after payroll is prepared by someone independent of those who prepare payroll.
- Journal entries—The journal entries prepared and entered into the accounting system should be reviewed and approved by appropriate personnel.
- Cross-training—An individual or individuals should be trained to perform day-to-day activities in the absence of the bookkeeper.

*School District Response:* The School District agrees with the finding.

Free Soil Community School District  
**SCHEDULE OF FINDINGS AND RESPONSES—CONTINUED**  
Year ended June 30, 2009

**Fiscal 2009 Finding No. 2: MATERIAL WEAKNESS—Procedures For The Reconciliation of General Ledger Account Balances**

*Criteria:* General ledger account balances should be reconciled to detailed supporting documentation on a timely basis.

*Condition:* There were several account balances that were not reconciled to supporting documentation on a timely basis.

*Cause:* There was no internal control review procedure in place to make sure this happened.

*Effect:* Failure to reconcile general ledger account balances timely can adversely affect the accuracy of internally-prepared monthly financial statements, and, correspondingly, adversely affect the analysis and conclusions as to the School District's financial position and results of operations by management and other users of such monthly financial statements. Additionally, this condition significantly increases the amount of year end general ledger account analysis and adjusting journal entries by School District personnel.

*Recommendation:* The utilization of a monthly closing checklist and written procedures would encourage personnel to review the accuracy of month end balances through analysis of account activity, comparison to supporting documentation and/or reconciliation with detailed schedules.

*School District Response:* School District personnel will reconcile general ledger account balances to supporting documentation on a monthly basis.

**Fiscal 2009 Finding No. 3: Financial Statement Preparation Procedures**

*Criteria:* The School District should have control procedures surrounding the preparation of the formal financial statements.

*Condition:* There are currently no control procedures surrounding the preparation and review of the formal year end financial statements.

*Cause:* The School District is a small organization with limited resources. Personnel have difficulty establishing and maintaining effective internal controls related to the preparation and review of the formal financial statements.

*Effect:* Errors and omissions in the financial statements could go undetected.

*Recommendation:* The School District should review its control procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

*School District Response:* The School District agrees with the finding.

Free Soil Community School District  
**SCHEDULE OF FINDINGS AND RESPONSES—CONTINUED**  
Year ended June 30, 2009

**Fiscal 2009 Finding No. 4: Procedures for Posting Budget Amendments On The School District Website**

*Criteria:* Per Section 18(2) of The State School Aid Act, within 30 days after a board or intermediate board adopts its annual operating budget for the following school fiscal year, or after a board or intermediate board adopts a subsequent revision to that budget, the district or intermediate district shall make the budget and subsequent budget revisions available on its website, or a district may make the information available on its intermediate district's website, in a form and manner prescribed by the department.

*Condition:* The School District did not make their budget amendments available on the School District's website.

*Cause:* The School District inadvertently overlooked this requirement for the fiscal year ended June 30, 2009.

*Effect:* The School District was in violation of Section 18(2) of The State School Aid Act.

*Recommendation:* The School District should review its procedures surrounding compliance with Section 18(2) of The State School Aid Act to make sure the budget amendments are posted timely on the School District's website.

*School District Response:* The School District agrees with the finding.