

Detroit Public Schools Office of the Auditor General



Review of Financial Corrective Action Plan

**Report No. 10-011
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Background

The Detroit Public Schools' (DPS) Comprehensive Annual Financial Report (CAFR) prepared by Rehmann Robson, the District's external auditors, for the Fiscal Year (FY) ending June 30, 2008 disclosed a combination of eighty-four (84) audit findings and questioned costs. A Washington D.C. based consultant helped to develop the corrective action plans with targeted implementation dates to resolve the auditing findings. The consultants also assisted in implementing, documenting and validating each corrective action plan. In addition, they monitored the status of the implementation of the corrective action plans and reported to the Emergency Financial Manager (EFM). The types of audit findings disclosed in the CAFR included the following:

- Control deficiency exists when the design or operation of an internal control does not allow management or employees to prevent or detect noncompliance with a federal program requirement.
- Material weakness is a significant deficiency, or combination of significant deficiencies, that result in a material noncompliance issue that will not be prevented or detected by the entity's internal control structure
- Significant deficiency adversely affects DPS' ability to administer federal programs in compliance with requirements resulting in the lack of ability to detect or prevent non-compliance.

The DPS CAFR report for the FY ending June 30, 2009 disclosed a combination of twenty-six (26) audit findings and questioned costs and eighteen (18) of these items were repeat findings from the 2008 CAFR report. The consultants, with assistance from DPS staff, wrote the corrective action plans to be implemented to resolve the auditing findings. Appropriate DPS personnel were assigned to implement the corrective action plans with the development and enforcement of policies and procedures to resolve the audit findings.

Objective(s)

The audit objectives were to determine if the corrective action plans have been implemented effectively and the audit findings have been resolved.

Scope

The review and testing of auditing findings and corrective action plans was led by the OAG. The review period was dependent upon the corrective action completion dates which ranged from November 1, 2009 to May 1, 2010 and ended June 30, 2010. Twenty (20) audit findings and related corrective action plans were reviewed and six (6) audit findings and related corrective plans pertaining to year-end activities were out of scope for this review. These six corrective actions will be audited once the District implements the corrective measures. Actual field work was completed on August 18, 2010. Although this review was financial in nature, it crossed many functional departments including Human Resources, Contracting and Procurement, State and Federal Programs, Foods Services and Academics.

Methodology

The department of Strategic Management Systems maintains a binder that includes the 26 action plans and the supporting documentation obtained from various departments that were charged with implementing the corrective plans. The OAG obtained information from this department pertaining to the 26 audit findings.

The OAG compared the corrective action plans to the audit findings to determine if the corrective action plans adequately addressed the audit issues and the OAG tested (audited) the various steps of the corrective action plans to determine if the audit finding had been resolved. Interviews were scheduled with DPS personnel (people who were designated as, “responsible personnel”) to begin the process of documenting the status of corrective action plan implementations. Additional documentation (i.e., reports, policy manuals etc.) was requested to support the status of the corrective action implementation.

Results In Brief

The OAG review and testing of twenty (20) corrective action plans revealed six (6) corrective plans mitigated the noted audit risk (finding) and fourteen (14) corrective action plans did not. Of the fourteen (14) audit findings that were not mitigated, ten (10) were repeat auditing findings. We identified four reasons why the 14 corrective action plans did not resolve the audit findings.

- Corrective action plans did not adequately address the audit finding.
- Corrective action plans were not implemented.
- All corrective action plan steps were not implemented.
- Corrective action plans were in various stages of implementation.

The consultants help develop the corrective action plans that were to be implemented by DPS personnel to resolve the 2008-2009 fiscal year audit findings. Through the OAG review and testing of the corrective action plans we noted some plans did not adequately address the audit finding or the responsible personnel did not agree with the corrective action plan. This may be a result of DPS personnel not being intimately involved in the development of the corrective action plans. This resulted in some corrective action plans being amended or not implemented. The number of personnel changes over the past two school years (i.e., retirements, layoffs and other personnel changes) is a contributing factor to why many of the corrective actions plans have not been fully implemented.

Notwithstanding, changes in personnel, we believe some personnel identified as the responsible party for corrective actions in their area did not reflect the level of knowledge that would be required to discuss the corrective actions taken. This, in turn, could be perceived as a concern by the auditors which typically results in additional testing of activities.

Our review also revealed that DPS is in beginning stages of documenting financial and operating policies and procedures. This task is imperative to ensure risks are mitigated and DPS is in compliance with DPS policy and governmental regulations. Corrective actions plans can be used as a basis for developing and documenting departmental policies and procedures. See Appendix 1 for summary of audit results.

The OAG has provided specific recommendations for each of the audit findings that require actions to mitigate the risk. In general, these actions include revising corrective action steps to reflect what is actually occurring, implementing all corrective action steps and monitoring the impact of actions taken to ensure they are effectively addressing the risk identified in audit finding. Each department manager has the responsibility to ensure these actions are implemented and the risk has been addressed for their respective areas.

Audit Findings and Corrective Action Reviews

2009-01: Capital Assets
(Planned completion date, March 31, 2010)
Audit Finding Addressed - Yes

The capital assets audit findings reported in the 2009 Single Audit Report indicated that capital assets sold, damaged or disposed during the fiscal year were not removed from fixed asset records or initially evaluated for impairment last year. The necessary changes were made to the financial statements prior to their submission which mitigated the risk for the period; however, it was recommended management conduct a thorough and consistence evaluation of events that may affect the carrying value of any capital asset to ensure future risks in this area are mitigated.

During our review of the eight corrective action plan steps six of the corrective action plan steps were not implemented. In addition, our review of the 8 corrective action plans revealed 3 plans were in various stages of implementation, 2 were not implemented and 2 plans need to be rewritten because they do not accurately reflect plans to correct the findings. Although the capital asset audit findings were resolved for the year in question, all of the corrective actions need to be revisited to ensure these plans will adequately reduce the risk of these issues occurring in the future.

2009-03: Budget (Repeat) Financial Reporting
(Planned Completion Date, February 28, 2010)
Audit Finding Addressed - No

The budget audit finding was a repeat finding from the 2008 Single Audit Report, addressing the issue of expenditures exceeding appropriations by material amounts. This audit finding pertains to the budgetary controls of the general fund. Our review of the 2009-2010 School Year General Fund Budget disclosed the following:

- Expenditures exceeded budget and encumbrances amounts by \$5,187,029.69
- There were 33 departments with salary expenditures exceeding budget and encumbrances amounts.
- There were 17 departments with benefit expenditures exceeding budget and encumbrance amounts.

Discussions with financial managers disclosed these reasons expenditures exceeded budget:

- Budget summary reports are not run and reviewed monthly.
- There are no penalties when someone exceeds their department/location budget
- There is a lack of planning for developing budget amounts
- Some employees are linked to a Position Control Number that is not funded.

Budget controls documented in the corrective action plans do not address the primary reasons expenditures exceed budget and encumbrance amounts. The internal controls addressed by the corrective action plans should be in place; however, additional corrective action plan steps are needed including monitoring of general fund expenditures.

2009-04: Individual Schools - Cash Policies and Procedures (Repeat)
(Planned Completion Date, February 28, 2010)
Audit Finding Addressed - No

This audit finding is a repeat finding from the 2008 Single Audit Report. During the 2008 - 2009 School Year the Office of the Auditor General reviewed the cash management processes at 194 schools to assess compliance with the School Administration Financial Manual (SAFM). This review disclosed various reasons for non-compliance which included lack of knowledge (SAFM), lack of training, lack of oversight and the misuse of funds. To address these issues DPS contracted with an outside accounting firm to perform bank reconciliations, creating and/or updating check registers, cash receipt journals and updating trial balances at DPS schools.

Training conducted by the outside accounting firm and by the Financial Division for DPS School bookkeepers is a main component of this corrective plan; however, the contract with the outside accounting firm states, they will only appraise the District of any training needs noted in the field and there was no evidence that the Finance Division provided such training. This year due to budget constraints many schools do not have currently have bookkeepers.

When the cash reconciliation process is performed by a third party there is no assurance that all cash transactions will be captured (i.e. cash receipts) and this can increase the risk of cash misappropriation. We also examined memos from the outside accounting firm addressing untimely deposits made at various schools, but there was no evidence of tracking or resolution of this issue. We believe the corrective action plans for Cash processes at individual schools needs to be revisited to ensure the corrective action plan steps accurately address the resolution of the auditing finding.

2009-05: Lease Contract Retention (Repeat)
(Planned Completion Date, January 31, 2010)
Audit Finding Addressed - No

The audit finding states the District does not retain copies of lease agreements and there is no analysis of leases to determine the proper accounting treatment. This is a repeat audit finding from the previous Single Audit Report. To address this issue the corrective action plan states The Office of Contracting and Procurement will prepare an inventory of all leases and the accounting department will perform an analysis of all leases to ensure leases are properly classified and disclosed accurately in financial reports. Our reviewed revealed The Office of Contracting and Procurement does not maintain an inventory of leases operating or capital and the OAG was specifically advised that the District does not have any capital leases. We were advised that the Accounting Department is in the process of compiling a list of leases.

An email sent to the Emergency Financial Manager on August 20, 2010 from Premier Financial indicated that DPS has not paid for ten (10) leased copy machines for two years. A review of the lease agreements revealed the agreements met the criteria for being classified as capital leases (purchase) because, the lease agreement contains an option to buy at the end of the lease and the present value of the payments exceeded ninety percent (90%) of the fair market value of the equipment. These leases have not been accounted for in PeopleSoft and these leases have not been accounted-for in the Asset Maxx system.

2009-06: Accounts Payable – Non-Standard Balances (Repeat)
(Planned Completion Date, February 28, 2010)
Audit Finding Addressed - No

The audit finding addresses removal of the accounts payable roll-forward balance. The accounts payable roll-forward balance is a result of a topside entry (an entry made to the Accounts payable control account and not to an accounts payable subsidiary account) made in a prior accounting period. This entry resulted in the accounts payable control account and subsidiary detail to be out of balance. Finance Managers advised the OAG that the difference between the accounts payable control account and subsidiary detail will not be eliminated and the difference will continue to be carried forward; however, this practice does not address the audit finding. The difference (\$19,302) between the accounts payable control and the accounts payable subsidiary detail needs to be written-off.

2009-07: Accounting for Loss Contingencies – Legal Reserves
(Planned Completion Date, February 28, 2010)
Audit Finding Addressed - Yes

The corrective action plan steps have adequately addressed the audit finding and our testing of the corrective action plan steps indicated the plan has been implemented and functioning as intended.

2009-08: Allowable Costs Production Costs (Food Services)
(Planned Completion Day, February 28, 2010)
Audit Finding Addressed - No

To address the audit finding, of production records not being consistently accurate or complete, the Office of Food Services has documented (March 1, 2010) a review process whereby the Program Associate I of Operations is responsible for performing quarterly random audits to ensure compliance. The OAG did not note any evidence this review has been performed; however, the OAG reviewed evidence of training on compliance and reporting requirements for production records. The steps of this corrective action plan were amended to more accurately address to audit finding, but the random audits are not occurring to ensure production records are accurate and complete.

2009-10: Allowable Costs/Cost Principals – Payroll (Repeat)
(Planned Completion Date, October 31, 2009)
Audit Finding Addressed - No

This audit finding addresses the lack of support for payroll charges made to Title I and Special Education Cluster Programs through journal entries. The OAG review and testing disclosed that some of these journal entries are not supported by the required semi-annual payroll certification forms or personal activity reports. A review of the PeopleSoft GL Budget Transaction Detail Reports and journal entries used to move payroll charges from Fund 14 to Fund 13 revealed the condition of unsupported journal entries still exists. We were unable find semi-annual payroll certifications or personal activity reports that supported the May 2010 funding changes made through journal entries. The tenth (10th) step of the corrective action plan requires the Accounting Department to forward a list of employees who are charged to federal grants to the Department of Human Resources' Time and Effort Division to enable the division to collect the appropriate documentation to reflect the funding change; however this process has not been fully

implemented. The corrective action plan should include steps describing the process for ensuring semi-annual certifications and personnel activity accurately reflect payroll charges to Title I and Special Education Cluster programs when journal entries are used to move payroll costs when employees' payroll expenditures are revised.

**2009-11: Allowable Costs/Cost Principals – Payroll Documentation (Repeat)
(Planned Completion Day, February 28, 2010)**

Audit Finding Addressed - No

The OAG reviewed funding source information provided by the Human Resources' Time and Effort Division and compared this information to employee provided information (Employee Semi-Annual Salary and Wage Certification Forms) or personnel activity reports. The signing of the certification confirms that the individuals worked 100 percent on a single cost objective and the individuals 'salary and wages was paid for by the identified Federal Grant award. The review disclosed several instances where the information (funding source) provided by employees differed from the funding sources provided by the Time and Effort Division. The audit issue, "*multiple payroll charges were not supported by required semi-annual payroll certification*", still exists. There needs to be a process to reconcile differences between employee provided information and the actual funding sources to ensure the District is in compliance with Federal program requirements.

For the 2009-2010 School Year the OAG did not find any evidence that employees or their supervisors were notified of the requirements for submission of time and effort certifications if they are paid by federal funds. In addition, the OAG did not find any evidence of follow-up by Human Resources to ensure certification forms were submitted and signed. For the upcoming school year, Human Resources have created a packet to be used to notify all employees of this requirement if they are paid by federal funds.

**2009-14: Eligibility – Proper Documentation of Income Verification
(Planned Completion Day, February 28, 2010)**

Audit Finding Addressed - No

This audit finding stated, of the records and documentation maintained by the Office of Food Services there was no indication which income verification document was examined or the document examined was not listed as acceptable in the OMB Circular A-133 Compliance Supplement. The manual for the ISD Education Inc PS1000 Food Service Package System Users' is used as a guideline for determining the income eligibility of participants in the free and reduced lunch program and to generate student verification reports. The implementation and use of the ISD Education PS1000 System partially resolves this audit finding; however, there was no evidence that the documents maintained by the Office of Foods Services were listed on the OMB Circular A-133 Compliance Supplement

The corrective action plan step of configuring system controls (PS 1000 System) to flag the benefit status of verified students and require administrative approval for all benefit status changes has not been implemented; therefore this audit finding has not been completely resolved.

**2009-15: Equipment and Real Property Management Physical Inventory (Repeat)
Audit Finding Addressed - Yes**

The District performed a physical inventory of capital assets including items funded by Federal programs subsequent to Fiscal Year 2009 year-end. No additional corrective action is necessary.

2009-16: Earmark Enrollment of Children with Disabilities (Repeat)
(Planned Completion Date, December 31, 2010)
Audit Finding Addressed - No

The audit finding states, the District did not attain 10 percent enrollment of Head Start children with disabilities within 90 days of the beginning of the school year. The department of Foundation for Early Learning has taken steps to address the audit finding by hiring a disability coordinator/psychologist (Effective date February 1, 2010); however, for the first 90 days of the 2009-2010 School Year only 5.5 percent of the Head Start students were identified with disabilities.

2009-18: Open Competition (Repeat)
(Planned Completion Date January 31, 2010)
Audit Finding Addressed - No

The audit finding states that the Department of Contracting and Procurement was not following the Federal Requirements for open competition when using Federal funds relating to service contracts exceeding \$100,000. The revised DPS Contracting and Procurement policy (revised April 23, 2010) requires competitive bids for all professional services valued over \$25,000, unless deemed an emergency procurement action by the Chief Financial Offices or Chief Procurement Officer. In addition, Rehmann Robson, External Auditors, recommended the District provide adequate training to all departments to ensure requirements for Federal awards are known and procedures are created to ensure compliances; however, there was no evidence that training was provided to other departments outside the Department of Contracting and Procurement.

2009-19: Suspension and Debarment – Verification of Vendors (Repeat)
(Planned Completion Date January 31, 2010)
Audit Finding Addressed - No

The Office of Contracting and Procurement has implemented a process to periodically verify all vendors providing goods and services to the District have not been suspended or debarred by the Federal Government for contracts greater than \$25,000. However, the finding required that the District review all active contracts to ensure they were not suspended or debarred. The OAG's review of vendor contracts entered into prior to the implementation of the process for verifying if a vendor has been suspended or debarred disclosed the following:

- From a sample size of twenty (20) vendors the OAG was able to locate thirteen (13) vendor files.
- Of the thirteen (13) vendors files that were located OAG was able to find one (1) vendor file with documentation supporting a review for suspension and/or debarment.
- None of the vendors selected were listed by the Federal Government as suspended or debarred.
- We found no evidence that all active contracts issued prior to January 2009 had been reviewed to ensure they were not suspended or debarred.

**2009-20: Reporting - Free and Reduced Meal Count Reporting
(Planned Completion Date February 28, 2010)
Audit Finding Addressed - Yes**

The current configuration of the District's Point of Sales System (POS) allows employees to modify meals information in the POS System after the information has been reported to the Michigan Department of Education (MDE). This process weakness resulted in the District's POS system not agreeing with number of meals (claims) reported to the MDE. It also resulted in an audit finding where it was noted the District's meal claim number did not agree with meal information submitted to the MDE.

To capture the identical meal data reported to the MDE a snapshot of the certified file sent to the MDE a snapshot made of the file and the file is now converted to PDF format and saved to ensure the District's records agree with the information submitted to the MDE. This current solution is just a temporary fix; however, configuring the POS system to restrict additions, deletions and modification of historical data after meal claims are filed would provide a stronger control to ensure the District's meal claims totals by reporting period are accurate.

**2009-22: Special test and Provisions -Verifications Timeliness and Benefit Status
(Planned Completion Date February 28, 2010)
Audit Finding Addressed - No**

The Office of Food Services hired a Program Associate I who has been assigned the responsibility for timely reporting and submission of Local Education Agency Summary Reports required by the MDE; however, the corrective action steps do not address the issue of students who had their free and reduced lunch status removed during the verification process and were reinstated after filling out a new application rather than providing verification of income. This practice circumvents the verification process.

**2009-23: Special Tests and Provisions – Schools
(Planned Completion Date February 28, 2010)
Audit Finding Addressed - No**

During the 2008 grant year certain Title I, Part A eligible schools identified for improvement did not spend 10 percent of their funding related to professional development as required. Based on our review the OAG was not able to obtain any evidence of communications instructing Regional Superintendents to require schools to submit reports documenting professional development activity to the Director of Title I Compliance at least thirty (30) days before the end of the school year. In addition, a review of field service monitor schedules for the 2009-2010 School Year did not disclose any evidence that the schools with the 10 percent requirement for professional development were monitored.

**2009-24: Special Tests and Provisions – Highly Quality Staff
(Planned Completion Date April 30, 2010)
Audit Finding Addressed - No**

The corrective action plan needs to be rewritten. The plan does not adequately address the audit finding. The corrective plan should include a process DPS will implement to ensure compliance. In addition, there is no evidence that the corrective plan of meeting with the state to determine what actions need to be taken to comply with the program requirements was implemented. The OAG did not see any evidence the District met with the State to determine the actions necessary to comply with the program requirements.

2009-25: Special Tests and Provisions – Individual Education Plan (Repeat)
(Planned Completion Date December 31, 2010)
Audit Finding Addressed - Yes

The OAG review of the documentation (sample of 10 children) maintained for Head Start children diagnosed with disabilities did not disclose exceptions. A review of the corrective action plan indicated the plan appropriately addressed the audit finding and the plan was implemented.

2009-26: Special Tests and Provisions - Schoolwide
(Planned Completion Date April 30, 2010)
Audit Finding Addressed - Yes

The Office of Research and Analysis implemented the corrective action plan pertaining to annual evaluation not being completed prior to the planned completion date. The OAG viewed online annual evaluations and all the school wide program evaluations had been completed.

The Office of School Improvement had implemented the corrective action plan addressing school wide programs that did not have a plan that included five (5) required components. The current requirements for program plans stipulated the program must have ten (10) components in lieu of 5 as indicated in the audit finding. If this audit area is retested for the 2009-2010 School Year it would pass; however, if the content detail of the components is tested this could result in another audit finding because the content detail is needs to be more descriptive. The Office of State and Federal Programs is in the process of editing and revising the content of the school program components to ensure they accurately reflect the intent of the various programs.

Conclusions

The District has not effectively addressed its exposure to risk in the 26 audit findings from the 2009 CAFR. Most of the audit findings have either not been addressed or not fully addressed. As a result, the auditors could determine that some of these risk areas will be repeat audit findings. Repeat audit findings are typically indicative of systemic problems that can adversely affect the District from achieving its mission in the most efficient and effective manner.

Audit findings that go unaddressed for more than one year can also send a negative message to stakeholders and, in some cases, can result in lower bond ratings and increase the costs of borrowing money. As such, we believe the District through its departments must prioritize actions to address any outstanding audit finding. Failure to do so should only occur in a circumstance where District leadership has determined that the exposure is an acceptable risk given the cost to mitigate the risk. Any other reason for not addressing audit findings over the course of a year should not be acceptable.

Appropriate DPS personnel should take necessary actions to address audit findings that we determined were not addressed and revisit and/or revise the corrective plans in their area(s) of responsibility to ensure the plans accurately reflect resolutions to the audit findings.

The corrective action plans can be used as a starting point for developing and enhancing current policies and procedures. DPS is in the beginning stages of developing, updating and documenting policies and procedures. We believe it is imperative to have documented policies and procedures to provide guidelines for executing DPS transactions and reporting information.

When departments document and update policies and procedures consideration should be given to developing process flow charts. Process flow charts document information flows, transaction types and approval points for processes within a department or functional area. This documentation will be helpful in identifying internal controls that need to be in place and detailing process steps.

Appendix 1

Corrective Action Plan	Corrective Action Plan Description	Audit Finding Addressed	Repeat Finding	Comments
2009-01	Audit Adjustments – Capital Assets	Yes	No	The audit finding was resolved; however, the corrective action plan needs to be revisited to reduce future risks.
2009-02	Audit Adjustments – Payroll Liabilities	TBA	No	Out of Scope
2009-03	Budget – Financial Reporting	No	Yes	Budget controls documented in the corrective action plan do not adequately address the primary reasons expenditures exceed budget and encumbrance amounts
2009-04	Cash Policies and Procedures for Individual Schools	No	Yes	Corrective actions plans need to be revisited to ensure the plan accurately addresses the resolution of the audit finding.
2009-05	Lease Contract Retention	No	Yes	Corrective Action Plan was not implemented
2009-06	Accounts Payable – Nonstandard Balances	No	Yes	The accounts payable reconciliation process is occurring; however, the topside entry problem has not been resolved.
2009-07	Legal Reserves – Accounting for Loss Contingencies	Yes	No	Corrective Action Plan has been implemented and is functioning as intended. The audit risk has been mitigated.
2009-08	Allowable Production Costs – Food Services	No	No	There was no evidence of the process for reviewing claims prior to submission to Michigan Department of Education (MDE); however, there was evidence of training. Through inquiry the OAG was told this process takes place. In addition, the corrective action plan was amended to more accurately address the audit finding
2009-09	Allow costs/Principles 26 pay Accrual	TBA	Yes	Out of Scope
2009-10	Allowable Costs/Cost Principals - Payroll	No	No	The OAG found several instances where a journal entry was made to revise an employee’s funding source; however, Semi-Annual Salary & Wage Certification Forms did not reflect change.
2009-11	Allowable Costs/Cost Principals – Payroll Documentation	No	No	OAG found employees who were paid out of the wrong fund and paid from incorrect locations.
2009-12	Allowable Costs/Cost Principals – In-Kind Contributions used for Match	TBA	Yes	Out of Scope
2009-13	Cash Management – 3 Days Cash Need	TBA		Out of Scope
2009-14	Eligibility – Proper Documentation of Income Verification (Food Services)	No	No	The PS 100 system has not been reconfigured to flag the benefit status of verified students who resubmit new applications and require administrative approval.
2009-15	Equipment & Real Estate inventory	Yes	Yes	Physical Inventory taken subsequent to fiscal 2009 year-end
2009-16	Earmark Enrollment of Children with Disabilities	No	Yes	For 2009-2010 School Year did not attain the 10% enrollment of Head Start children with disabilities as required.
2009-17	Payroll & Voucher Transactions	TBA	Yes	Out of Scope
2009-18	Open Competition – Bidding	No	Yes	Contracting and Procurement revised their procedure to required competitive bids for all professional services over \$25,000. However, there was no evidence of training for other departments (State & Fed Prog.) pertaining to these requirements.
2009-19	Suspension and Debarment - Verification of Vendors	No	Yes	The OAG able to find verification documentation of suspension and debarment review for one vendor of sample size of twenty.
2009-20	Reporting – Free and Reduced Lunch Count Reporting	Yes	No	The audit finding has been addressed; however, the audit resolution is a temporary fix. The Point of Sales System (POS) needs to be configured to ensure the information in the POS agree with the information sent to MDE)
2009-21	Reporting – Submission of Final Reports	TBA	Yes	Out of Scope
2009-22	Food Services – Verification Timeliness & Benefit Status	No	No	The corrective action steps do not adequately address the condition of reinstating students’ free & reduced meals status without verifying income.
2009-23	Schools Identified for Improvement	No	Yes	There was no evidence of communication of Regional Superintendents requiring schools to submit reports documenting professional development activities and schools with the 10 % requirement for professional development were not monitored
2009-24	Special Tests and Provisions – Highly Qualified Staff	No	No	The corrective active plan needs to be revisited. The plan does adequately address audit finding
2009-25	Special Tests and Provisions – Individual Education Plan	Yes	Yes	Corrective Action Plan adequately addressed audit finding and the plan has been implemented.
2009-26	Special Tests and Provisions – Schools Wide Programs	Yes	Yes	Corrective Action Plan adequately addressed audit finding and the plan has been implemented; however, if the content of the program components is reviewed this could result in future audit findings.

Our audit was performed in accordance with U.S. General Accounting Office Government Auditing Standards of the Instituted of Internal Auditors.

This report is intended solely for management and should not be used for any other purpose. This restriction is not intended to limit the distribution of the report which is a matter of public record.

A handwritten signature in blue ink, appearing to read 'Odell W. Bailey', is positioned above the printed name.

Odell W. Bailey, CIA
Auditor General