

Detroit Public Schools

**Federal Awards
Supplemental Information
June 30, 2004**

Detroit Public Schools

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Independent Auditor's Report

To the Chief Executive Officer and
the School Reform Board
Detroit Public Schools

We have audited the financial statements of Detroit Public Schools for the year ended June 30, 2004 and have issued our report thereon dated November 4, 2004. Those financial statements are the responsibility of the management of Detroit Public Schools. Our responsibility was to express opinions on the financial statements that collectively comprise the School District's governmental activities, each major fund, and the aggregate remaining fund information of financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the financial statements of Detroit Public Schools. The accompanying schedule of expenditures of federal awards and reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Plante & Moran, PLLC

November 4, 2004

Report Letter on Internal Control Over Financial Reporting and on
Compliance and Other Matters - Basic Financial Statements

To the Chief Executive Officer and
the School Reform Board
Detroit Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Detroit Public Schools as of and for the year ended June 30, 2004 and have issued our report thereon dated November 4, 2004. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Detroit Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, described in the schedule of findings and questioned costs as item 04-E. We also noted certain immaterial instances of noncompliance that we have reported to the management of Detroit Public Schools in a separate letter dated November 4, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Detroit Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Detroit Public Schools' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-A, 04-B, 04-C, and 04-D.

To the Chief Executive Officer and
the School Reform Board
Detroit Public Schools

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 04-A and 04-B to be material weaknesses.

This report is intended solely for the information and use of the Chief Executive Officer, the School Reform Board, management, the cognizant agency, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 4, 2004

Report Letter on Compliance with Laws and Regulations and
Internal Control - Major Federal Awards

To the Chief Executive Officer and
the School Reform Board
Detroit Public Schools

Compliance

We have audited the compliance of Detroit Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The major federal programs of Detroit Public Schools are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Detroit Public Schools' management. Our responsibility is to express an opinion on Detroit Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Detroit Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Detroit Public Schools' compliance with those requirements.

As described in items 04-1, 04-2, 04-3, 04-4, and 04-6 in the accompanying schedule of findings and questioned costs, Detroit Public Schools did not comply with requirements regarding eligibility and reporting that are applicable to the Child Nutrition Cluster of programs. Also as described in items 04-22, 04-23, 04-24, 04-25, 04-26, 04-27, 04-28, 04-29, 04-30, 04-31, 04-32, and 04-33 in the accompanying schedule of findings and questioned costs, Detroit Public Schools did not comply with requirements regarding reporting, non-public consultation, cost principles, and types of services allowed that are applicable to the Title I program. Compliance with such requirements is necessary, in our opinion, for Detroit Public Schools to comply with requirements applicable to these programs.

To the Chief Executive Officer and
the School Reform Board
Detroit Public Schools

In our opinion, except for the noncompliance described in the preceding paragraph, Detroit Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, which are described in the accompanying schedule of findings and questioned costs as items 04-7, 04-8, 04-9, 04-10, 04-11, 04-13, 04-14, 04-15, 04-16, 04-17, 04-18, 04-19, 04-20, and 04-34.

Internal Control Over Compliance

The management of Detroit Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Detroit Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Detroit Public Schools' ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-5, 04-7, 04-12, 04-19, and 04-21.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.



A worldwide association of independent accounting firms

To the Chief Executive Officer and
the School Reform Board
Detroit Public Schools

This report is intended solely for the information and use of the Chief Executive Officer, the School Reform Board, management, the cognizant agency, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 4, 2004

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount	(Memo Only) Prior Year(s) Expenditures
Clusters:			
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:			
National School Breakfast Program:	10.553		
Project number 041970		\$ 8,088,578	\$ 1,025,442
Project number 31970		<u>1,266,767</u>	<u>7,730,536</u>
Total National School Breakfast Program		9,355,345	8,755,978
National School Lunch Program:	10.555		
Project number 11950		3,278,046	-
Project number 11960		24,495,279	-
Project number 021950		2,477,389	496,348
Project number 11980		89,670	-
Project number 031950		2,995,212	2,035,062
Project number 031960		19,472,697	19,383,427
Project number 031980		53,413	36,413
Project number 041950		2,014,743	-
Project Number 041960		20,125,670	-
Project numbet 041980		174,203	-
Project number 21960		<u>20,351,187</u>	<u>2,494,990</u>
Total National School Lunch Program		<u>95,527,509</u>	<u>24,446,240</u>
Total Child Nutrition Cluster		104,882,854	33,202,218
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County ISD:			
IDEA:	84.027		
Education of the handicapped 01-02 - Project number not available		14,151,746	2,357,386
Education of the handicapped 02-03 - Project number not available		18,096,263	12,112,664
Education of the handicapped 03-04 - Project number not available		18,096,263	-
WCRESA Idea Center Expansion 00-01 - Project number not available		3,077,353	103,602
WCRESA Idea Center Expansion 01-02 - Project number not available		2,246,490	-
WCRESA Idea Center Expansion 02-03 - Project number not available		2,913,295	3,088,584
WCRESA Idea Center Expansion 03-04 - Project number not available		3,382,380	-

Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Accrued (Deferred) Revenue at July 1, 2003	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	June 30,2004 Expenditures	Accrued (Deferred) Revenue at June 30, 2004
\$ -	\$ -	\$ 6,561,111	\$ 8,088,578	\$ 1,527,467
<u>1,598,211</u>	<u>-</u>	<u>2,864,978</u>	<u>1,266,767</u>	<u>-</u>
1,598,211	-	9,426,089	9,355,344	1,527,467
-	-	379	379	-
-	-	(23,316)	(23,316)	-
-	-	4,518	4,518	-
-	-	-	-	-
-	-	960,150	960,150	-
4,236,308	-	7,167,381	2,931,073	-
12,678	(6,661)	6,017	-	-
-	-	2,014,743	2,014,743	-
-	-	16,125,423	20,125,670	4,000,247
-	-	143,017	174,203	31,187
<u>-</u>	<u>-</u>	<u>(22,979)</u>	<u>(22,979)</u>	<u>-</u>
4,248,986	(6,661)	26,375,333	26,164,441	4,031,434
5,847,197	(6,661)	35,801,422	35,519,785	5,558,900
(185,388)	-	1,030	1,030	(185,388)
(4,174,336)	-	-	5,820,648	1,646,312
-	-	10,258,289	13,794,803	3,536,514
-	-	-	-	-
-	-	-	-	-
466,584	(175,289)	291,295	-	-
-	-	3,044,142	3,308,078	263,936

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount	(Memo Only) Prior Year(s) Expenditures
Clusters (Continued):			
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County ISD (Continued):			
IDEA (Continued):			
Assistive Technology Training and Information Center Grant - Project number not available		\$ 425,000	\$ 338,259
Assistive Technology Training and Information Center Grant - Project number not available		463,724	-
Barsamian Assessment Center - Capacity Building Center - Project number not available		375,475	208,550
Barsamian Assessment Center - Capacity Building Center - Project number not available		375,475	49,946
Total IDEA		<u>63,603,464</u>	<u>18,258,991</u>
Preschool Incentive:	84.173		
Preschool Incentive 00-01 - Project number not available		913,757	96,747
Preschool Incentive 01-02 - Project number not available		1,073,122	7,955
Preschool Incentive 02-03 - Project number not available		1,073,122	1,074,957
Preschool Incentive 03-04 - Project number not available		892,234	-
Infant Interagency - Project number not available		119,555	124,226
Infant Interagency - Project number not available		87,938	61,926
Infant Interagency - Project number not available		87,938	-
Total Preschool Incentive		<u>4,247,666</u>	<u>1,365,811</u>
Total Special Education Cluster		67,851,130	19,624,802
Medicaid Cluster:	93.778		
U.S. Department of Health and Human Services - Passed through the Wayne County ISD - Medical Assistance Program:			
Medicaid Outreach 02.03		888,441	888,441
Medicaid Outreach 03-04		514,983	-
Pupil Transportation		-	912,959
Total Medicaid Cluster		<u>1,403,424</u>	<u>1,801,400</u>
Other Federal Awards:			
U.S. Department of Education - Direct programs:	84.060		
Indian Education:			
Project number S060A40756-94		89,122	61,380
Project number S060A40756-94		81,374	10,352
Total Indian Education		<u>170,496</u>	<u>71,732</u>

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004

Accrued (Deferred) Revenue at July 1, 2003	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	June 30, 2004 Expenditures	Accrued (Deferred) Revenue at June 30, 2004
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	379,460	463,724	84,264
(752)	-	-	752	-
-	-	146,221	255,429	109,208
(3,893,892)	(175,289)	14,120,437	23,644,464	5,454,846
-	-	-	-	-
-	-	-	-	-
256,057	(165,106)	90,951	-	-
-	-	515,677	892,234	376,557
71,741	(71,741)	-	-	-
17,956	-	37,309	19,353	-
-	-	43,969	59,949	15,980
345,754	(236,847)	687,906	971,536	392,537
(3,548,138)	(412,136)	14,808,343	24,616,000	5,847,383
305,745	(35,622)	270,123	-	-
-	-	244,860	514,983	270,123
-	-	-	-	-
305,745	(35,622)	514,983	514,983	270,123
6,482	-	24,122	17,640	-
-	-	50,000	73,795	23,795
6,482	-	74,122	91,435	23,795

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount	(Memo Only) Prior Year(s) Expenditures
Other Federal Awards (Continued):			
U.S. Department of Health and Human Services - Direct Programs -			
U.S. Project HRRTEP:	93.938		
Project number not available		\$ 429,693	\$ -
Project number not available		<u>225,604</u>	<u>380,951</u>
Total U.S. Project HRRTEP		655,297	380,951
Carol M. White Physical Fitness	84.215F	386,670	32,527
Carol M. White Physical Fitness	94.215F	373,671	-
Linking Kids to Learning	84.Unk	280,125	21,450
Transition to Teaching Best	84.Unk	363,666	235,000
U.S. Detroit Pride - Project number not available	84.287B	164,700	262,924
21st Century Comm Learning Center 03211021st02078	84.287B	1,312,500	216,074
21st Century Comm Learning Center 03211021st02078	84.287B	1,312,500	175,669
21st Century Comm Learning Center 04211021sr03060	84.287	850,000	-
21st Century Comm Learning Center 04211021sr03061	84.287	850,000	-
21st Century Comm Learning Center 04211021sr03062	84.287	850,000	-
21st Century Comm Learning Center 04211021sr03063	84.287	850,000	-
21st Century Comm Learning Center 04211021sr03064	84.287	850,000	-
21st Century Comm Learning Center 04211021sr03065	84.287	850,000	-
Smaller Learning Community	84.287	2,200,000	-
Smaller Learning Community Phase 2	84.287	2,500,000	-
Southeastern Village Community Learning Centers Program	84.287B	1,400,000	216,827
Southeastern Village Community Learning Centers Program	84.287B	1,400,000	1,310,946
Southeastern Village Community Learning Centers Program	84.287B	1,400,000	-
New Century After-School Community Learning Centers Program	84.287B	1,150,080	204,310
New Century After-School Community Learning Centers Program	84.287B	<u>1,159,080</u>	<u>981,086</u>
Total		20,502,992	3,656,813
The National Science Foundation - Direct program -			
Detroit Urban Systemic Initiative - Project number ESR-9908234	47.046	<u>11,500,000</u>	<u>2,420,435</u>
Total noncluster direct programs		32,828,785	6,529,931

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004

Accrued (Deferred) Revenue at July 1, 2003	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	June 30, 2004 Expenditures	Accrued (Deferred) Revenue at June 30, 2004
\$ 125,463	\$ -	\$ -	\$ 147,135	\$ 272,598
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,417</u>	<u>13,417</u>
125,463	-	-	160,552	286,015
(17,473)	-	336,720	354,193	-
-	-	86,962	181,408	94,446
21,450	-	194,349	197,201	24,302
235,000	-	270,733	160,733	125,000
262,924	(262,924)	-	-	-
67,470	-	479,217	805,909	394,162
175,669	-	981,170	736,873	(68,628)
-	-	213,432	560,774	347,342
-	-	251,914	495,542	243,628
-	-	213,853	537,267	323,414
-	-	277,540	564,851	287,311
-	-	243,010	598,722	355,712
-	-	218,898	565,161	346,263
-	-	400,000	440,236	40,236
-	-	400,000	89,030	(310,970)
(38,153)	-	-	38,153	-
1,310,946	-	1,400,000	89,054	-
-	-	110,946	1,319,047	1,208,101
204,310	-	460,095	256,832	1,047
<u>448,677</u>	<u>-</u>	<u>705,408</u>	<u>924,499</u>	<u>667,768</u>
2,670,820	(262,924)	7,244,247	8,915,485	4,079,134
<u>331,720</u>	<u>-</u>	<u>910,810</u>	<u>922,377</u>	<u>343,287</u>
3,134,485	(262,924)	8,229,179	10,089,849	4,732,231

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount	(Memo Only) Prior Year(s) Expenditures
Other Federal Awards (Continued):			
U.S. Department of Education:			
Passed through the Michigan Department of Education:			
Education Consolidation and Improvement Act:	84.010		
Title I:			
Chapter I regular (Title I Part A) 01-02 - Project number 215300102		\$ 97,432,640	\$ 39,664,399
Chapter I regular (Title I Part A) 02-03 - Project number 031530/203		94,645,727	72,137,665
Chapter I regular (Title I Part A) 03-04 - Project number 0415300304		127,830,118	-
Chapter I Carryover (Title I Part A) 02-03 - Project number 0315300304		11,681,799	
Title I Part D 02-03 - Project number 031700/0203		<u>413,688</u>	<u>414,791</u>
Total Title I		332,003,972	112,216,855
Title I Accountability Grants - Project number 0215002003	84.348	4,229,280	1,632,912
Migrant Education:			
Project number 031890 0203	84.011	314,933	-
Project number 0418900304		340,901	-
Project number 0118900102		292,810	511,031
Project number - Unknown		166,510	-
Project number 0318302003		<u>166,510</u>	<u>97,875</u>
Total Migrant Education		1,281,664	608,906
Title V:			
Project number 25716	84.298	398,717	-
Project number 0202500203		508,154	508,154
Project number 0102500002		2,937,076	2,658,633
Project number 042500304		3,013,197	-
Project number 0302500.304		<u>434,104</u>	<u>-</u>
Total Education Consolidation and Improvement Act - Title V		7,291,248	3,166,787
Drug-free Schools and Communities National Program - Project number 032600 00500-CSA	84.184	125,000	-

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004

Accrued (Deferred) Revenue at July 1, 2003	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	June 30, 2004 Expenditures	Accrued (Deferred) Revenue at June 30, 2004
\$ -	\$ -	\$ -	\$ -	\$ -
15,154,054	-	37,662,116	22,508,062	-
-	-	65,000,000	79,687,255	14,687,255
-	-	14,273,089	27,256,922	12,983,833
<u>126,378</u>	<u>(1,103)</u>	<u>125,275</u>	<u>-</u>	<u>-</u>
15,280,432	(1,103)	117,060,480	129,452,239	27,671,088
-	-	4,229,280	4,229,280	-
-	231,927	314,933	83,006	-
-	-	102,793	217,146	114,353
119,429	(119,429)	-	-	-
-	-	-	55,622	55,622
<u>97,875</u>	<u>-</u>	<u>166,510</u>	<u>68,635</u>	<u>-</u>
217,304	112,498	584,236	424,409	169,975
(26,610)	-	-	-	(26,610)
508,154	-	508,154	-	-
2,658,633	(155,663)	2,502,970	-	-
-	-	-	1,772,199	1,772,199
<u>-</u>	<u>-</u>	<u>434,104</u>	<u>434,104</u>	<u>-</u>
3,140,177	(155,663)	3,445,228	2,206,303	1,745,589
-	-	109,528	125,000	15,472

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount	(Memo Only) Prior Year(s) Expenditures
Other Federal Awards (Continued):			
U.S. Department of Education (Continued):			
Passed through the Michigan Department of Education (Continued):			
Safe and Drug-free Schools and Communities:	84.186		
Project number 002860DRUG1500C		\$ 37,450	\$ -
Project number 002860DRUG101501015c		659,554	129,853
Project number 0328600203		1,031,663	1,033,615
Project number DSFO14367c		111,168	50,623
Project number 0228600203		209,378	129,853
Project number 0328600304		1,507,467	-
Project number 0428600304		2,633,018	-
Total Safe and Drug-free Schools and Communities		6,189,698	1,343,944
Homeless Children and Youths:	84.196		
Project number 02320 001C		12,971	-
Project number 032320 0203		172,735	109,956
Project number 032320 0304-C		27,265	-
Project number 042320 0304		205,746	-
Total Homeless Children and Youths		418,717	109,956
Emergency Immigration Education Assistance:	84.162		
Project number 022560 0203		202,240	42,965
Project number 0225600102		202,240	72,265
Total Emergency Immigration Education Assistance		404,480	115,230
Adult Basic Education:	84.002		
Project number 021120 2003500392		29,589	3,425
Project number 021130 310333		1,881,800	1,129,203
Project number 021190 310333		81,000	70,343
Project number 031130 310333		-	-
Project number 031130 410334		1,129,080	-
Project number 041130 410334		752,720	-
Total Adult Basic Education		3,874,189	1,202,971

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004

Accrued (Deferred) Revenue at July 1, 2003	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	June 30, 2004 Expenditures	Accrued (Deferred) Revenue at June 30, 2004
\$ (373)	\$ -	\$ -	\$ -	\$ (373)
(9,531)	-	-	-	(9,531)
55,362	(1,952)	53,410	-	-
50,623	-	111,168	60,545	-
129,853	-	209,378	79,525	-
-	-	1,005,204	1,507,467	502,263
-	-	1,080,450	857,356	(223,094)
225,934	(1,952)	2,459,610	2,504,893	269,265
(114)	-	-	-	(114)
(28,302)	-	34,477	62,779	-
-	-	27,265	27,265	-
-	-	80,050	168,911	88,861
(28,416)	-	141,792	258,955	88,747
42,965	(42,965)	-	-	-
-	-	-	-	-
42,965	(42,965)	-	-	-
3,425	-	29,589	26,164	-
695,568	433,635	1,881,800	752,597	-
70,343	-	81,000	10,657	-
-	(433,635)	(433,635)	-	-
-	-	1,129,080	1,129,080	-
-	-	156,613	364,331	207,718
769,336	-	2,844,447	2,282,829	207,718

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount	(Memo Only) Prior Year(s) Expenditures
Other Federal Awards (Continued):			
U.S. Department of Education (Continued):			
Passed through the Michigan Department of Education (Continued):			
Comprehensive School Reform Demonstration:	84.332		
Project number 021870 0304		\$ 283,593	\$ -
Project number 21870/0203		1,669,844	697,298
Project number 031870 0304		<u>1,164,341</u>	<u>-</u>
Total Comprehensive School Reform Demonstration		3,117,778	697,298
Vocational Education - Basic Grants to States (Perkins II):	84.048		
Project number 033520 9224		4,839,749	3,875,944
Project number 043520 401224		4,565,858	-
Project number 0333350/401524		<u>20,000</u>	<u>-</u>
Total Vocational Education - Basic Grants to States (Perkins II)		9,425,607	3,875,944
Vocational Education Tech Prep:	84.243		
Project number 02354002724		195,268	164,473
Project number 043540/401424		<u>147,944</u>	<u>-</u>
Total Vocational Education Tech Prep		343,212	164,473
Goals 2000 - 96-97 - Project number 42274	84.276	50,000	-
Technology Literacy Challenge:	84.318		
Project number 0434100 ILWLDemo		742,659	-
Project number 428001		739,528	-
Project number 034290 0203		1,327,394	-
Project number 044280/-2		799,750	-
Project number 044290/0304		3,088,100	-
Project number 034280/-2		802,000	-
Project number 034290/0304		2,174,674	-
Project number 034310 ILWLDemo		1,100,000	423,747
Project number 034280/2		<u>802,000</u>	<u>-</u>
Total Technology Literacy Challenge		11,576,105	423,747
School Renovation Idea & Tech Program	84.352	5,481,519	5,351,376

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004

Accrued (Deferred) Revenue at July 1, 2003	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	June 30,2004 Expenditures	Accrued (Deferred) Revenue at June 30, 2004
\$ -	\$ -	\$ 283,593	\$ 283,593	\$ -
101,345	-	1,103,891	1,002,546	-
-	-	869,189	1,102,929	233,740
101,345	-	2,256,673	2,389,068	233,740
919,802	-	1,883,607	963,805	-
-	-	1,689,687	3,279,299	1,589,612
-	-	-	20,000	20,000
919,802	-	3,573,294	4,263,104	1,609,612
(45,066)	-	(14,271)	30,795	-
-	-	-	87,043	87,043
(45,066)	-	(14,271)	117,838	87,043
(4,119)	-	-	-	(4,119)
(25,371)	-	-	-	(25,371)
(13,640)	-	-	-	(13,640)
-	-	1,327,394	1,327,394	-
-	-	-	-	-
-	-	-	1,383,359	1,383,359
-	-	-	-	-
-	-	-	1,058,442	1,058,442
48,487	-	724,740	676,253	-
-	-	-	34,222	34,222
9,476	-	2,052,134	4,479,670	2,437,012
2,876,483	(8,597)	2,867,886	-	-

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount	(Memo Only) Prior Year(s) Expenditures
Other Federal Awards (Continued):			
U.S. Department of Education (Continued):			
Passed through the Michigan Department of Education (Continued):			
Reading First:			
Reading First State Grants - Project number 032930/020301	84.357	\$ 6,494,400	\$ 3,181,045
Reading First State Grants - Project number 020302		<u>6,132,014</u>	<u>-</u>
Total Reading First		12,626,414	3,181,045
Title IIA - Improving Teacher Quality			
Title II, Part A Teacher Training/Principal Training - Project number 03520-0203	84.367	21,467,386	19,692,539
Title II, Part A Teacher Training/Principal Training - Project number 03520-0304		1,441,250	-
Title II, Part A Teacher Training/Principal Training - Project number 040520-0304		<u>22,793,212</u>	<u>-</u>
Total Title II, Part A Teacher Training		45,701,848	19,692,539
English Language:			
English Language 035800203	84.365	412,339	3,425
English Language 035800203		173,466	-
English Language 035800203		<u>680,554</u>	<u>-</u>
Total English Language		1,266,359	3,425
CDC Grant/CSHP Tech Assist Grant			
Project number 034400SHI0304A	93.938	1,000	-
Project number 034400SHI0304B		1,000	-
Project number 034400SHI0304C		1,000	-
Project number 034400SHI0304D		910	-
Project number 034400SHI0304E		<u>1,000</u>	<u>-</u>
Total CDC Grant/CSHP Tech Assist Grant		<u>4,910</u>	<u>-</u>
Total noncluster programs passed through the the Michigan Department of Education		445,412,000	153,787,408

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004

Accrued (Deferred) Revenue at July 1, 2003	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	June 30, 2004 Expenditures	Accrued (Deferred) Revenue at June 30, 2004
\$ (176,848)	\$ -	\$ 2,995,976	\$ 3,172,824	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,938,946</u>	<u>1,938,946</u>
(176,848)	-	2,995,976	5,111,770	1,938,946
19,692,539	-	21,467,386	1,774,847	-
-	-	1,441,250	1,441,250	-
<u>-</u>	<u>-</u>	<u>924,725</u>	<u>21,246,262</u>	<u>20,321,537</u>
19,692,539	-	23,833,361	24,462,359	20,321,537
-	-	412,339	412,339	-
-	-	177,390	150,044	(27,346)
<u>-</u>	<u>-</u>	<u>20,818</u>	<u>383,304</u>	<u>362,486</u>
-	-	610,547	945,687	335,140
-	-	1,000	1,000	-
-	-	1,000	1,000	-
-	-	1,000	1,000	-
-	-	910	910	-
<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
-	-	4,910	4,910	-
43,021,344	(97,782)	169,055,111	183,258,315	57,126,765

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount	(Memo Only) Prior Year(s) Expenditures
Other Federal Awards (Continued):			
U.S. Department of Education (Continued):			
Passed through the Armada School District - 21st Century			
After School Community Learning Center:	84.287B		
Earhart - Project number not available		\$ 170,088	\$ 72,647
Clippert - Project number not available		210,928	-
Clippert - Project number not available			25,588
Hally - Project number not available		210,928	63,622
Munger - Project number not available		210,928	56,039
		<u>802,872</u>	<u>217,896</u>
Total noncluster programs passed through the Armada School District		<u>802,872</u>	<u>217,896</u>
Total U.S. Department of Education noncluster programs		446,214,872	154,005,304
U.S. Department of Health and Human Services:			
Passed through the City of Detroit Neighborhood			
Services Department - Headstart:	93.600		
Headstart 02-03 - Project number not available		8,720,274	6,881,366
Headstart 03-04 - Project number not available		7,882,861	-
Headstart Special Education 02-03 - Project number not available		161,431	137,735
Headstart Special Education 03-04 - Project number not available		161,431	-
		<u>16,925,997</u>	<u>7,019,101</u>
Total noncluster programs passed through the City of Detroit		<u>16,925,997</u>	<u>7,019,101</u>
Passed through the Michigan Department of Education -			
Refugee Children School Impact Grant:	93.576		
Project number 031840/0203		237,810	237,810
Project number 0418800304		194,579	-
		<u>432,389</u>	<u>237,810</u>
Total noncluster programs passed through the Michigan Department of Education		<u>432,389</u>	<u>237,810</u>
Total U.S. Department of Health and Human Services noncluster programs		17,358,386	7,256,911

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004

Accrued (Deferred) Revenue at July 1, 2003	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	June 30, 2004 Expenditures	Accrued (Deferred) Revenue at June 30, 2004
\$ 72,647	\$ (72,647)	\$ 20,206	\$ 20,206	\$ -
(5,000)	-	-	37,613	32,613
25,588	-	-	-	25,588
(5,189)	-	64,007	69,196	-
<u>32,089</u>	<u>-</u>	<u>55,507</u>	<u>23,418</u>	<u>-</u>
<u>120,135</u>	<u>(72,647)</u>	<u>139,720</u>	<u>150,433</u>	<u>58,201</u>
43,141,479	(170,429)	169,194,831	183,408,748	57,184,966
970,349	-	2,571,868	1,601,519	-
-	121,754	6,242,748	6,799,345	678,351
29,301	-	37,664	8,363	-
<u>-</u>	<u>-</u>	<u>70,976</u>	<u>148,461</u>	<u>77,485</u>
999,650	121,754	8,923,256	8,557,688	755,836
103,498	-	103,498	-	-
<u>-</u>	<u>-</u>	<u>40,416</u>	<u>99,199</u>	<u>58,783</u>
<u>103,498</u>	<u>-</u>	<u>143,914</u>	<u>99,199</u>	<u>58,783</u>
1,103,148	121,754	9,067,170	8,656,887	814,619

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount	(Memo Only) Prior Year(s) Expenditures
Other Federal Awards (Continued):			
The National Science Foundation - Passed through the Northwestern University:	47.076		
Learning Technologies in Urban Schools:			
Project number 0830310 A605		\$ 169,098	\$ 12,717
Project number 0830310 A605		<u>174,347</u>	<u>88,132</u>
Total Learning Technologies in Urban Schools		343,445	100,849
Passed through the University of Michigan		<u>106,462</u>	<u>9,726</u>
Total National Science Foundation noncluster programs		449,907	110,575
U.S. Department of Agriculture - Passed through the Michigan Department of Education:			
Food Distribution:	10.550		
Entitlement commodities		2,122,729	2,356,390
Bonus commodities		<u>632,536</u>	<u>-</u>
Total Food Distribution		2,755,265	2,356,390
Child Care Food Program:	10.558		
Project number 12010		16,253	18,546
Project number 11920/319200/32010/021920		<u>297,616</u>	<u>541,877</u>
Total Child Care Food Program		<u>313,869</u>	<u>560,423</u>
Total U.S. Department of Agriculture noncluster programs		3,069,134	2,916,813
U.S. Department of Housing and Urban Development:			
Passed through the City of Detroit Department of Health and Human Services - Title XX Empowerment Zone - Project number not available	14.244	96,510	-

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004

Accrued (Deferred) Revenue at July 1, 2003	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	June 30, 2004 Expenditures	Accrued (Deferred) Revenue at June 30, 2004
\$ 12,717	\$ (12,717)	\$ -	\$ -	\$ -
<u>88,132</u>	<u>(88,132)</u>	<u>-</u>	<u>-</u>	<u>-</u>
100,849	(100,849)	-	-	-
<u>9,726</u>	<u>(9,726)</u>	<u>-</u>	<u>-</u>	<u>-</u>
110,575	(110,575)	-	-	-
(655,574)	-	2,053,328	2,053,328	(655,574)
<u>-</u>	<u>-</u>	<u>632,536</u>	<u>632,536</u>	<u>-</u>
(655,574)	-	2,685,864	2,685,864	(655,574)
2,293	(2,293)	-	-	-
<u>244,261</u>	<u>(19,781)</u>	<u>225,017</u>	<u>7,193</u>	<u>6,656</u>
<u>246,554</u>	<u>(22,074)</u>	<u>225,017</u>	<u>7,193</u>	<u>6,656</u>
(409,020)	(22,074)	2,910,881	2,693,057	(648,918)
-	-	-	-	-

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount	(Memo Only) Prior Year(s) Expenditures
Other Federal Awards (Continued):			
U.S. Department of Housing and Urban Development (Continued):			
Passed through City of Detroit Planning and Development -			
Title XX Empowerment Zone:	14.244		
Empowerment Zone - Detroit Compact - Project number not available		\$ 606,000	\$ 108,368
Empowerment Zone - Health Clinics - Project number not available		2,643,000	364,461
Empowerment Zone - EZ Entrepreneur - Project number not available		743,000	193,923
Empowerment Zone - Life MGMT ED - Project number not available		<u>460,000</u>	<u>179,308</u>
Total Title XX Empowerment Zone		<u>4,452,000</u>	<u>846,060</u>
Total U.S. Department of Housing and Urban Development noncluster programs		<u>4,548,510</u>	<u>846,060</u>
Total federal awards		<u>\$678,157,095</u>	<u>\$226,183,439</u>

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004

Accrued (Deferred) Revenue at July 1, 2003	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	June 30, 2004 Expenditures	Accrued (Deferred) Revenue at June 30, 2004
\$ 135,353	\$ (135,352)	\$ 22,788	\$ 128,313	\$ 105,526
(15,142)	-	519,378	653,532	119,012
29,966	-	92,761	128,586	65,791
<u>223,525</u>	<u>(223,525)</u>	<u>5</u>	<u>10</u>	<u>5</u>
<u>373,702</u>	<u>(358,877)</u>	<u>634,932</u>	<u>910,441</u>	<u>290,334</u>
<u>373,702</u>	<u>(358,877)</u>	<u>634,932</u>	<u>910,441</u>	<u>290,334</u>
<u>\$ 49,948,598</u>	<u>\$ (1,146,969)</u>	<u>\$241,161,741</u>	<u>\$266,409,750</u>	<u>\$ 74,049,638</u>

Detroit Public Schools

Reconciliation of Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 280,465,950
Less state and local revenue reported as federal revenue on the basic financial statements	(12,401,439)
Less prior year GASB No. 33 deferred revenue included on the basic financial statements as revenue in the current year but not on the SEFA	<u>(1,654,761)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 266,409,750</u>

Detroit Public Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Detroit Public Schools and is presented on the same basis of accounting as the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Note 3 - Grant Section Auditor's Report

Management has utilized Form R-7120 in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 4 - Adjustments and Transfers

During the year ended June 30, 2004, adjustments and transfers in the amount of \$1,146,969 were made to write off receivables not expected to be collected and to return grant payments received in advance that were not spent before the awards had expired.

Detroit Public Schools

Schedule of Findings and Questioned Costs Year Ended June 30, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major program(s): Unqualified for all major programs except for the Child Nutrition Cluster and Title I, which were qualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section I - Summary of Auditor's Results (Continued)

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.287	21st Century
84.010	Title I
84.348	Title I Accountability
84.332	Comprehensive School Reform
84.048	Vocational Education
84.318	Title II, D
84.357	Reading First
84.367	Title II, A
93.600	Headstart

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Audit Findings

Reference Number	Findings
04-A	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition/Cause/Effect - The School District's budget system did not operate in the manner for which it was designed during the year. As a result, this significant internal control over the School District's expenditures was not effective in ensuring that expenditures were within budget. Much of this problem was caused by the system conversion, which delayed the implementation of the budget process.</p> <p>Description - Accurate and timely implementation of the annual budget in the overall financial system is necessary to ensure adherence to the budget.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
04-B	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition - During our testing, it came to our attention that the School District had a significant amount of checks recorded as outstanding checks that had actually either been reversed (canceled) or a stop payment had been ordered. This condition prevented the financial records from reflecting the correct cash balance and made the monthly reconciliation difficult.</p> <p>Description - Stop payment or otherwise canceled checks should be immediately removed from the outstanding list in order to accurately reflect the cash balance.</p>
04-C	<p>Finding Type - Reportable condition</p> <p>Condition - During the course of our audit, we noted that the School District does not maintain copies of the employee election to be paid either in 21 weeks or 26 weeks. This is a key election and necessary audit trail documentation.</p> <p>Description - The School District should maintain a proper audit trail by retaining the employee election to be paid in 21 weeks or 26 weeks.</p>
04-D	<p>Finding Type - Reportable condition</p> <p>Condition - During the course of our audit, we noted that all property tax revenue was recorded in the General Fund.</p> <p>Description - The School District's system does not currently identify the appropriate property tax revenue amounts to transfer to other funds on a timely basis.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
04-E	<p>Finding Type - Noncompliance material to financial statements</p> <p>Condition - Michigan law prohibits school districts from incurring General Fund expenditures in excess of General Fund revenues if such excess results in a General Fund deficit fund balance. Due to static revenue and declining enrollment, General Fund operating costs exceeded revenue and, at June 30, 2004, the School District reported a General Fund deficit fund balance of \$48.7 million.</p> <p>Description - Michigan state law requires the School District to establish a State-approved plan to eliminate this deficit within two years. We understand that the School District is currently developing this plan.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings

Reference Number	Findings
04-1	<p>Program Name - Child Nutrition Cluster</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The student rosters should be completely filled out and correctly reflect the approved status of the completed lunch application.</p> <p>Condition - Six out of 51 students' applications selected for testing had been properly approved as eligible for reduced price meals; however, the students' lunch rosters reflected their status as free.</p> <p>Questioned Costs - \$432</p> <p>Context - The review of applications noted that the applications were correctly marked as approved for reduced lunch; however, during the data entry into the student lunch database, the status of the six students was entered as free.</p> <p>Cause/Effect - The School District is receiving claim reimbursements for free lunches when they are eligible and approved for reduced price lunches per the application. There is a possibility that these students were subsequently approved for free lunches, but this was not documented on the application.</p> <p>Recommendation - Detroit Public Schools should institute a procedure to review information input into the student lunch database to ensure all meals claimed for reimbursement are at the proper eligibility status.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-2	<p>Program Name - Child Nutrition Cluster</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District uses the focused sampling method for verification of free and reduced applications. Focused sampling requires that at least 1.5 percent of applications are verified.</p> <p>Condition - The School District verified 522 out of 49,601 applications. This is 1.05 percent; therefore, the sample size was not met.</p> <p>Questioned Costs - None</p> <p>Context/Cause/Effect - The verification process is a control procedure put in place by state and federal guidelines to ensure compliance with the application verification process used by the School District. Failure to comply with the minimum size requirement could result in increased verification procedures or a reduction in federal grant award due to lack of compliance.</p> <p>Recommendation - The School District must ensure that the amount of applications verified meets the minimum required by the State of Michigan and federal guidelines.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-3	<p>Program Name - Child Nutrition Cluster</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Other noncompliance</p> <p>Criteria - The School District's production records are required to document that all five components were offered and documented on a daily basis, along with milk usage.</p> <p>Condition - Three out of 25 production records tested revealed that the milk usage was not being recorded consistently.</p> <p>Questioned Costs - None</p> <p>Context/Cause/Effect - Compliance with federal requirements is an essential component of grant funding. Menu testing revealed that milk was available on all menus; however, it was not documented as being used on the production records in a consistent manner.</p> <p>Recommendation - The School District should instruct staff to properly record the milk usage at all school sites. The School District should also ensure that the usage is being recorded consistently, on a daily basis.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-4	<p>Program Name - Child Nutrition Cluster</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Claims for reimbursement should be adequately supported by the counts taken at the point of service.</p> <p>Condition - Six out of 15 daily meal counts selected for testing could not be substantiated because all rosters were not provided.</p> <p>Questioned Costs - Unknown</p> <p>Context/Cause/Effect - The review of lunch rosters for daily meal counts noted that six of the 15 days selected could not be substantiated properly due to missing rosters.</p> <p>Recommendation - The School District should ensure that the schools are properly recording meals on a breakfast or lunch roster. The School District should also ensure that the records are maintained properly and kept organized.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-5	<p>Program Name - Child Nutrition Cluster</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Reportable condition</p> <p>Criteria - Daily meal counts on the individual lunch rosters should correspond to the "Monthly Accuclaim & Edit Checks for Meals Served" total by each day.</p> <p>Condition - Four out of the 12 daily counts recalculated from the rosters did not match the total on the "Monthly Accuclaim & Edit Checks for Meals Served" by day.</p> <p>Questioned Costs - None</p> <p>Context/Cause/Effect - Review of the daily lunch rosters noted that four of the 12 counts were different than what was reported on the monthly report. In total, the meals were underreported by 19. This could result in meal reimbursements being under-claimed by the School District.</p> <p>Recommendation - The School District should ensure that the rosters are properly entered into the system so that monthly totals claimed for reimbursement are correct.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-6	<p>Program Name - Child Nutrition Cluster</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Daily meal counts are tabulated on the "Monthly Accuclaim & Edit Checks for Meals Served" report. The monthly total is then submitted to the State of Michigan for reimbursement on the free and reduced meal portion.</p> <p>Condition - Nine out of the 15 monthly reimbursement requests tested contained meal counts which were more or less than the amount verified on the MEIS Website. Total meals submitted for reimbursement over the counted meals was 4,892.</p> <p>Questioned Costs - \$9,686 (4,892 x \$1.98 per free meal reimbursement)</p> <p>Context/Cause/Effect - The MEIS Website reflects a different number of meals claimed for reimbursement than the School District's monthly totals. Claims submitted to the Michigan Department of Education are required to be supported by accurate daily meal and monthly meal count information.</p> <p>Recommendation - The School District needs to ensure that the daily meal counts are properly maintained. They also need to ensure that the monthly data submitted to the State accurately reflects the daily data.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-7	<p>Program Name - Title II, A</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Reportable condition and material noncompliance</p> <p>Criteria - In accordance with the OMB Circular A-87, Attachment B, if an employee is charged solely to one federal program, Detroit Public Schools is required to obtain semi-annual certifications, signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.</p> <p>Condition - Detroit Public Schools did not obtain certifications semi-annually signed by the employee or supervisory official for employees charged solely to one federal program.</p> <p>Questioned Costs - \$509,019</p> <p>Context - The School District did not provide other documentation to substantiate the time for six out of the eight employees solely charged to Title II, A. The School District was able to provide lesson plans for two out of the eight employees to substantiate the time charged to the grant.</p> <p>Cause/Effect - Signed certifications are required as part of the documentation of the services provided by employees charged solely to one federal program.</p> <p>Recommendation - In addition to the documentation already maintained by Detroit Public Schools, the School District should implement procedures to identify those employees charged solely to one federal program and obtain semi-annual certifications signed by the appropriate individual.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-8	<p>Program Name - Title II, A; Headstart</p> <p>Pass-through Entity - Michigan Department of Education, City of Detroit Department of Health and Human Services</p> <p>Finding Type - Other noncompliance</p> <p>Criteria - In accordance with OMB Circular A-87, Attachment A, costs must conform to any limitations, i.e., the grant period, or exclusions set forth by the circular.</p> <p>Condition - Detroit Public Schools did not spend grant funds during the appropriate grant period.</p> <p>Questioned Costs - \$4,511.80 - Title II, A \$1,530.00 - Headstart</p> <p>Context - The School District paid for two invoices having services rendered in the 2002-2003 grant year (7/1/02-9/30/03) with the funds for the 2003-2004 grant year (7/3/03-9/30/04). One employee's payroll expense for 2003-2004 payroll was charged to the 2002-2003 grant award.</p> <p>Cause/Effect - The School District paid for grant expenditures using funds from different grant years.</p> <p>Recommendation - The School District should take additional steps to ensure that transactions are recorded in the appropriate year of the grant funding and paid with the corresponding funds.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-9	<p>Program Name - Title II, A</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - In accordance with OMB Circular A-87, Attachment A, allowable cost must be adequately documented to substantiate the charges.</p> <p>Condition - Detroit Public Schools was unable to substantiate the workshop pay charged to the grant for nine out of the 17 individuals selected who were paid for workshop attendance.</p> <p>Questioned Costs - \$1,779.13</p> <p>Context - The School District did not provide documentation to substantiate the time employees spent attending workshops being charged to Title II, A.</p> <p>Cause/Effect - Documentation to substantiate time charged to the grant is required for employees charged to the grant.</p> <p>Recommendation - It is recommended that the School District maintain sign-in sheets for the participants of workshops and other supporting documentation to substantiate employees' time charged to the grant.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-10	<p>Program Name - Reading First</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - In accordance with the grant requirements, expenditures can only be charged for K-3 expenses for general education and K-12 for special education.</p> <p>Condition - Four out of the 25 cash disbursements tested were for the purchase of items for other than specified grade levels (K-3 for general education and K-12 for special education).</p> <p>Questioned Costs - \$4,784.50</p> <p>Context - The School District should charge costs in accordance with the established criteria set by the awarding agency/grant award requirements.</p> <p>Cause/Effect - In review of the budgets for the Reading First Schools, we noted two schools which budgeted for non-K-3 items. In addition, there were three out of 25 cash disbursements that indicated that the School District had spent funds on items for grade levels other than K-3.</p> <p>Recommendation - It is recommended that the School District review the expenditures/purchase orders prior to payment to ensure that they are in compliance with specifics of the grant requirements and that budgets be reviewed to ensure all activities are for grade levels specified in the grant.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-11	<p>Program Name - Reading First</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - In accordance with the grant provisions, the purpose of the grant is to ensure that all children can read at a grade level at or above the third grade level by grade three.</p> <p>Condition - Detroit Public Schools purchased a copier and had copier maintenance expenditures charged to Reading First.</p> <p>Questioned Costs - \$6,030</p> <p>Context - Per review of the permissible uses of Reading First funds, we noted that the purchase of copiers is unallowable.</p> <p>Cause/Effect - The School District purchased a copier and had copier maintenance expenditures charged to the grant due to the volume of copying needed. The expenditures were included in the list of unallowable uses provided by the Michigan Department of Education.</p> <p>Recommendation - It is recommended that the School District review all purchase orders/invoices to ensure that the expenditures are allowable.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-12	<p>Program Name - Reading First</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Reportable condition</p> <p>Criteria - Reading First funds are allocated to specific school buildings based on meeting the criteria of the grant funding on a per pupil basis. The budgeted amounts are communicated to each school building on a pro-rata basis.</p> <p>Condition - After receiving their allocated share of the Reading First budget, four out of 22 schools tested showed they had budgeted for expenditures in excess of this amount. Budgeted amounts were not necessarily spent by these four buildings.</p> <p>Questioned Costs - None</p> <p>Context - Improper budgeting may result in overspending of the grant award amount in total by the School District.</p> <p>Cause/Effect - If expended amounts exceed award amounts, the School District's General Fund could have a potential liability at the end of the grant year.</p> <p>Recommendation - The School District should review budgets after they are set up at the building level to ensure compliance with this criteria.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-13	<p>Program - Reading First</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - In accordance with the grant provisions, Reading First funds must be used for allowable expenditures</p> <p>Condition - The School District paid for bookkeeping services at one of the school buildings. Administrative costs are not allowable per the Office of Compliance and were not budgeted per the school.</p> <p>Questioned Costs - \$2,100</p> <p>Context/Cause/Effect - Per review of the allowable costs per the Grant Award and review of the School District's budget, the cost is not included in the list of allowable activities.</p> <p>Recommendation - The School District should monitor expenditures for allowability.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-14	<p>Program Name - Reading First</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - In accordance with OMB Circular A-87, Attachment A, allowable costs must be adequately documented to substantiate the charges.</p> <p>Condition - Detroit Public Schools was unable to substantiate two out of the 26 employees tested for payroll.</p> <p>Questioned Costs - \$40,716</p> <p>Context - The School District did not provide documentation to substantiate the time employees spent in Reading First classrooms. There was no supporting documentation to support the employees' time, such as reading logs.</p> <p>Cause/Effect - Reading logs are a required part of the documentation of the time spent performing Reading First activities.</p> <p>Recommendation - The School District should ensure that all employees charged to federal programs substantiate their time charged to the grant.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-15	<p>Program Name - Comprehensive School Reform</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - In accordance with OMB Circular A-87, Attachment A, allowable cost must be adequately documented to substantiate the charges.</p> <p>Condition - Detroit Public Schools was unable to substantiate the workshop pay charged to the grant for the 26 individuals selected who were paid for workshop attendance.</p> <p>Questioned Costs - \$13,141</p> <p>Context - The School District did not provide documentation to substantiate the time employees spent attending workshops being charged to Comprehensive School Reform.</p> <p>Cause/Effect - Documentation to substantiate time charged to the grant is required for employees charged to the grant.</p> <p>Recommendation - It is recommended that the School District maintain sign-in sheets for the participants of workshops and other supporting documentation to substantiate the employees' time charged to the grant.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-16	<p>Program Name - Comprehensive School Reform</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Expenditures charged to the grant must be made by schools included in the approved grant application.</p> <p>Condition - Expenditures charged to the grant must be made from a school included in the approved grant application.</p> <p>Questioned Costs - \$111,214</p> <p>Context - Expenditures were charged to the grant from Western High School and Carstens Elementary, which are not schools included in the grant.</p> <p>Cause/Effect - In review of Comprehensive School Reform expenditures, we noted expenditures from schools not included in the approved grant award.</p> <p>Recommendation - Detroit Public Schools should review the budgeting of approved grant funds to determine if they are budgeted to the appropriate buildings identified in the approved grant award or, if amended, document the approval and retain copies for their records.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-17	<p>Program Name - Title II Part D</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Per the administrative requirements, OMB Circular A102, and district policy, expenditures greater than \$15,000 must be solicited for competitive bid.</p> <p>Condition - Grant expenditures for math software greater than the bid threshold were not processed under the normal district bid process.</p> <p>Questioned Costs - Meridian Creative Group - \$17,985 Key Curriculum Press - \$25,350.40 Carnegie Learning Inc. - \$196,000</p> <p>Context - Title II Part D grant funds were spent for Math Software greater than \$15,000 without following the School District's bid policy.</p> <p>Cause/Effect - Grant expenditures were approved without adhering to the School District's procurement policy, increasing the risk that the School District will not obtain competitive pricing and efficient use of grant funds.</p> <p>Recommendation - To obtain competitive prices, the School District should ensure that expenditures greater than the bid policy threshold should not be approved without being solicited for competitive bids.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-18	<p>Program Name - Head Start</p> <p>Pass-through Entity - The City of Detroit Department of Health and Human Services</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District's employee contract specifies a step level corresponding to a pay level and degree earned by the employees, if applicable. Employees can move up one step per year if their education status does not change.</p> <p>Condition - Payroll data indicates that a teacher is entered into PeopleSoft and being paid at Bachelors - Step 6. Upon review of the personnel file, we noted that the employee started during the 2001/2002 school year. During the 2003/2004 school year, the teacher should be at Bachelors - Step 3.</p> <p>Questioned Costs - \$6,026.90 (difference between a step 6 and a step 3 of \$273.95 x 22 pays)</p> <p>Context/Cause/Effect - Employees are entered into the payroll system in PeopleSoft by DPS staff. The employee was entered into the system incorrectly.</p> <p>Recommendation - The School District needs to verify that all employees are paid at the appropriate rate or that personnel files are updated timely to reflect increases.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-19	<p>Program Name - Head Start</p> <p>Pass-through Entity - The City of Detroit Department of Health and Human Services</p> <p>Finding Type - Reportable condition and material noncompliance</p> <p>Criteria - In accordance with OMB Circular A-87, Attachment B, if an employee is charged solely to one federal program, Detroit Public Schools is required to obtain certifications twice a year, signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.</p> <p>Condition - The School District did not obtain semiannual certifications signed by the employee or supervisory official for employees charged solely to one federal program.</p> <p>Questioned Costs - None</p> <p>Context/Cause/Effect - The School District did provide us with other documentation supporting the time spent working on this federal program.</p> <p>Recommendation - The School District currently has a process in place for this certification process. They should ensure that this process is followed by all employees charged 100 percent to this grant.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-20	<p>Program Name - Head Start</p> <p>Pass-through Entity - The City of Detroit Department of Health and Human Services</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - An expenditure charged to a federal grant must be an allowable cost in accordance with the OMB Circular A-87, Attachment B and the federal grant requirements.</p> <p>Condition - During the year, the School District issued a check and recorded an expenditure for \$20,000 to fund an imprest petty cash account used by the Head Start program.</p> <p>Questioned Costs - \$20,000</p> <p>Context/Cause/Effect - The School District keeps \$20,000 in the checking account at the Head Start office for expenditures related to the Policy Committee and Executive Board meetings. Inquiry was made for documentation to substantiate the expenditures from the petty cash checking account. No documentation was received from the Head Start office to support these expenditures.</p> <p>Recommendation - The Head Start office should maintain proper documentation to substantiate the allowability of the costs charged to this portion of the program according to the federal and OMB Circular guidelines.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-21	<p>Program Name - Head Start</p> <p>Pass-through Entity - City of Detroit Department of Health and Human Services</p> <p>Finding Type - Reportable condition</p> <p>Criteria - Detroit Public Schools has a contract with the City of Detroit for the Head Start program. The original signed contract and any amendments are to be kept on file at the School District's office.</p> <p>Condition - There was an amendment made to the contract with the City of Detroit in the 2003/2004 school year; however, this amendment was not signed.</p> <p>Questioned Costs - None</p> <p>Context/Cause/Effect - According to School District officials, the amendment to the contract with the City of Detroit was sent to the City of Detroit for signature, but never received.</p> <p>Recommendation - The School District should follow up to ensure that this signed amendment to the contract is received and kept on file in the School District's office.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-22	<p>Program Name - Title I</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Teachers being paid with Title I funds are required to hold a current teaching certificate.</p> <p>Condition - Per review of personnel files, we noted one employee, #366278, did not have appropriate certification.</p> <p>Questioned Costs - \$31,337.74 (Salary for the year)</p> <p>Context - Teachers who are paid with Title I funds are required to be certified teachers under the requirements of the grant.</p> <p>Cause/Effect - The School District did not obtain evidence of certification from the employee so the cost of services provided are considered a questioned cost. The employee was terminated by the School District per review of personnel file.</p> <p>Recommendation - The School District should regularly review credentials of employees charged to grants to ensure that the personnel qualifications required under the grant are upheld and that the allowabililty of the cost criteria is met.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-23	<p>Program Name - Title I</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Indirect costs allocated to the grant must be equal to or less than the rate approved by the State.</p> <p>Condition - Per review of the final expenditure report for the 2002/2003 school year, we noted that the School District allocated indirect costs to the grant using the 2001/2002 approved indirect cost rate rather than the 2002/2003 approved rate.</p> <p>Questioned Costs - \$181,227 (Difference between indirect cost rate on report of \$4,032,298 (4.45 percent) and the amount recalculated using the appropriate rate of 4.25 percent - \$3,851,071)</p> <p>Context - Use of the 2001/2002 indirect cost rate overstated the amount of indirect cost that could be allocated to the grant as the 2001/2002 approved rate was greater than the 2002/2003 approved rate.</p> <p>Cause/Effect - Allocation of indirect costs is an approved grant expenditure only when allocated based on the State-approved indirect cost rate. Indirect costs allocated using a rate greater than the approved rate are not allowed expenditures under the grant.</p> <p>Recommendation - The School District should charge indirect costs to the grant only when they are allocated based on the appropriate State-approved indirect cost rate or receive documentation from the State to substantiate a different rate being used.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-24	<p>Program Name - Title I</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Charges to federal grant funds must be adequately supported by documentation of time spent working on the program.</p> <p>Condition - Expenditures for employees charged to Title I should be supported by lesson plans or other supporting documentation. Lesson plans were not maintained for four employees who were charged to Title I less than 100 percent.</p> <p>Questioned Costs - \$1,457.72</p> <p>Context - If an employee is charged 100 percent to Title I, the School District is required to maintain bi-annual certifications supporting the charge of the employees' salary to the grant. Expenditures for employees who are partially charged to the grant should be supported by lesson plans and/or other contemporaneous documentation which detail how charges for their time are allowable under the grant. The School District did not provide documentation for four employees who are charged to the grant less than 100 percent.</p> <p>Cause/Effect - Costs not properly supported with adequate documentation are questionable as proper expenditures under the grant.</p> <p>Recommendation - The School District should maintain adequate support for all costs charged to the grant to ensure compliance with the provisions of the award.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-25	<p>Program Name - Title I</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Federal expenditures charged to the grant should be accurately reported on the annual DS-4044 and fully supported by the School District's financial records.</p> <p>Condition - Per review of the final expenditure report and the expenditure detail for the 2002/2003 school year, we noted the expenditures reported on the final expenditure report were greater than the actual expenditures incurred.</p> <p>Questioned Costs - \$407,144</p> <p>Context - Expenditures reported on the DS-4044 could not be substantiated by the School District's financial records.</p> <p>Cause/Effect - When completing the DS-4044, the School District should reconcile the report to the general ledger. This may have been complicated by an accounting system conversion.</p> <p>Recommendation - The School District should ensure that expenditures reported on the DS-4044 are properly substantiated by the School District's records.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-26	<p>Program Name - Title I</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Schools receiving Title I grant funds and not meeting their AYP under the NCLB guidelines must allocate at least 10 percent of their budget to expenditures for staff professional development.</p> <p>Condition - During review of expenditures, we noted nine out of 10 schools selected for testing did not allocate at least 10 percent of their budget to professional development.</p> <p>Questioned Costs - None</p> <p>Context - Schools identified as not meeting AYP are required to set aside 10 percent of their budget for professional development.</p> <p>Cause/Effect - Proper allocation of Title I funds ensures that the compliance requirements of this grant award are being met and that funds are available to assist teachers in their professional development at buildings identified as not meeting their AYP. Late notification of AYP status by the State of Michigan further limited the School District's ability to budget Title I accountability.</p> <p>Recommendation - The School District should review individual school budgets to ensure that funds are being properly allocated/budgeted for professional development when required.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-27	<p>Program Name - Title I</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The Title I grant program requires that the School District provide meaningful consultation and equitable services to eligible non-public schools within the School District.</p> <p>Condition - As a result of a federal audit in 2003, the School District was found to be noncompliant with the consultation requirement for the 2002/2003 school year. The School District was required to immediately implement a corrective action to remedy the situation. A written formal complaint was received from the Archdiocese of Detroit indicating that the School District had not complied with the corrective action plan. Also, in the current year, the non-public allocations were based on the original budget and not revised after the School District received an increased award amount.</p> <p>Questioned Costs - \$293,135 (\$278,414 to be restored from the 2003 audit plus the \$14,721 of additional allocation to amended award amount for the current year)</p> <p>Context - The School District is required to provide a signed affirmation that this consultation occurred with non-public school officials regarding their allocation of Title I funds and establish written policies ensuring it provided an equitable share of set-asides, to restore \$278,414 to its allocation for unallowable costs.</p> <p>Cause/Effect - Proper allocation of Title I funds ensures that each student covered under the grant, either public or non-public, receives their pro-rata share of Title I benefits.</p> <p>Recommendation - The School District should develop a standard process for communication with non-public schools, their eligibility to participate in federal grant programs, and what the allocation process is, and receive signed affirmation from the non-public schools that this has occurred. They should also restore the \$293,135 to the non-public allocation of Title I funds.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-28	<p>Program Name - Title I</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District is required to determine the poverty level of schools to determine their eligibility for and allocation of Title I funds.</p> <p>Condition - The calculation to determine the poverty measure is based on a weighted average of membership counts and free and reduced lunch counts. Review of this calculation of the measure revealed that the School District used data from different dates for each component of this formula. The 2002 fall count for membership was used and the January 2003 free and reduced lunch counts were used.</p> <p>Questioned Costs - Unknown</p> <p>Context/Cause/Effect - Use of data from different count dates could distort the resulting poverty measure, creating the possibility that schools may receive an inequitable allocation of Title I funds.</p> <p>Recommendation - The School District should use data from the same count dates to determine this poverty measure to ensure that each school receives their proper Title I allocation.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-29	<p>Program Name - Title I</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District is required to reserve at least 1 percent of Title I funds for parental involvement activities.</p> <p>Condition - Per review of Title I budget allocations, only approximately one-half of a percent was allocated to parental involvement.</p> <p>Questioned Costs - \$671,219</p> <p>Context/Cause/Effect - Per the School District's award amount, we noted that the 1 percent allocation should have been \$1,278,101. Review of the budget revealed only \$607,082 was budgeted for parental involvement. Inquiry of the Office of Compliance revealed that the balance of the 1 percent was to be available through the parent/community liaison office. No documentation that this requirement has been met was obtained from this department.</p> <p>Recommendation - The School District should review the Title I budget allocations to ensure that funds are properly budgeted and documented in compliance with the grant award.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-30	<p>Program Name - Title I</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District is required to allocate Title I funds to their buildings based on rank ordered poverty percentages calculated using a weighted average of the free and reduced lunch counts and the membership counts.</p> <p>Condition - Of the 10 schools selected for testing, the School District was unable to substantiate the numbers used for free and reduced lunch counts in the computation of the allocation formula at one of the school buildings.</p> <p>Questioned Costs - Unknown</p> <p>Context - The School District could not substantiate the free and reduced lunch counts at one of the 10 school buildings selected for testing. The total number of free and reduced lunches per the allocation workpaper at this building was 774.</p> <p>Cause/Effect - The School District should be able to substantiate the numbers used in the computations to ensure that accurate calculations were performed during the allocation of the Title I funds to the individual buildings.</p> <p>Recommendation - The School District should verify all numbers used in this computation and maintain records that support this calculation.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-31	<p>Program Name - Title I</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District is required to use Title I funds to supplement the general education budget vs. supplanting costs of the General Fund with federal monies designated for Title I purposes.</p> <p>Condition - In an internal audit dated July 14, 2004, findings were noted that identified the School District of being at risk of failing this compliance category.</p> <p>Questioned Costs - \$617,890 (potential)</p> <p>Context/Cause/Effect - The School District's internal audit department initiated a review of certain Title I activities and identified certain issues for School District action. The School District reviewed the comments and responded to this internal audit finding by increasing its compliance staff who oversee the allowability of expenditures and provide monitoring and training to building principals in this area.</p> <p>Recommendation - The School District should continue to implement sound policies and procedures related to allowability of costs and provide training and monitoring as required for compliance in this area. The School District, in its response to the internal audit, should document if the costs are in fact allowable or if they should reprogram the funds.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-32	<p>Program Name - Title I</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District is required to ensure all expenditures charged to Title I are allowable under the terms of the grant.</p> <p>Condition - In an internal audit dated July 14, 2004, findings were noted that identified certain expenditures as being potentially unallowable costs for Title I.</p> <p>Questioned Costs - \$653,671 (potential)</p> <p>Context/Cause/Effect - The School District's internal audit department initiated a review of certain Title I activities and identified certain issues for School District action. The School District reviewed the comments and responded to this internal audit finding by increasing its compliance staff who oversee the allowability of expenditures and provide monitoring and training to building principals in this area.</p> <p>Recommendation - The School District should continue to implement sound policies and procedures related to allowability of costs and provide training and monitoring as required for compliance in this area. The School District, in its response to the internal audit, should document if the costs are in fact allowable or if they should reprogram the funds.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-33	<p>Program Name - Title I</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Expenditures are required to meet the requirements of allowability as outlined in the Title I grant award.</p> <p>Condition - Per review of expenditures, we noted two of the 25 expenditures were for items whose allowability could not be verified for use.</p> <p>Questioned Costs - \$10,800</p> <p>Context/Cause/Effect - Expenditures for a sign at Bethune Middle School and accounting service work at Finney High School do not appear to be allowable uses of Title I funds.</p> <p>Recommendation - The School District should ensure that the monitoring process is followed and that a procedure is in place for identifying and excluding potentially unallowable costs.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
04-34	<p>Program Name - Title I Accountability</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The purpose of this grant is to improve buildings not meeting their AYP as defined by the NCLB legislation. The award letter and approved budgets for use of these funds specify certain buildings within the School District where funds are to be used. Monies are available to the buildings for allowable expenditures or as participants in programs provided by an outside party for these purposes.</p> <p>Condition - During testing, it was noted that three schools were identified on the original award letter as being eligible to participate in the use of these funds. These schools could not be agreed to either the contract with the service provider or the school allocation worksheet provided by the School District. Buildings identified were Foch MS, Richard Elementary, and Burbank MS. One school building, Helimann Jr., was also noted as receiving services from the service provider, but was not included in the award letter.</p> <p>Questioned Costs - Unknown</p> <p>Context/Cause/Effect - Per inquiry with School District officials, the buildings identified in the original award letter were subsequently revised. There were no expenditures at these buildings identified above. No documentation of this change being submitted to the grantor could be provided by the School District.</p> <p>Recommendations - The School District should revise any buildings identified on the original grant award, submit to the grantor, and retain a copy in its records.</p>