

Detroit Public
Schools



Year Ended
June 30, 2012

Single Audit Act
Compliance



DETROIT
PUBLIC
SCHOOLS

Detroit Public Schools

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DETROIT
PUBLIC
SCHOOLS

**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

November 15, 2012

Emergency Manager
Detroit Public Schools
Detroit, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Detroit Public Schools* (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements, and have issued our report thereon dated November 15, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



DETROIT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Pass Through Entity	Pass-through/ Grantor Number
U.S. Department of Agriculture			
Child Nutrition Cluster:			
National School Breakfast Program:			
Project number 111970	10.553	MDE	111970
Project number 121970	10.553	MDE	121970
National School Lunch Program:			
Noncash assistance (commodities) -			
Entitlement Commodities	10.555	MDE	-n/a-
Cash assistance:			
Project number 111950	10.555	MDE	111950
Project number 111960	10.555	MDE	111960
Project number 111980	10.555	MDE	111980
Project number 121960	10.555	MDE	121960
Project number 121980	10.555	MDE	121980
Summer School Food Program			
Project number 110900	10.559	MDE	110900
Project number 111900	10.559	MDE	111900
Project number 120900	10.559	MDE	120900
Project number 121900	10.559	MDE	121900
Total Child Nutrition Cluster			
Child Care Food Program:			
Project number 091920	10.558	MDE	091920
Project number 111920	10.558	MDE	111920
Project number 112010	10.558	MDE	112010
Project number 121920	10.558	MDE	121920
Project number 122010	10.558	MDE	122010
Total Child Care Food Program			
Team Nutrition Grant	10.574	MDE	09101327 & 1377
Fresh Fruit and Vegetables Program			
Project number 110950	10.582	MDE	110950
Project number 120950	10.582	MDE	120950
Total Fresh Fruit and Vegetables Program			
Total U.S. Department of Agriculture			
U.S. Department of Justice			
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.803	COD	-n/a-
The National Science Foundation			
Detroit Urban Systemic Initiative - Project number ESR-9908234	47.049	Direct	9908234
Environmental Protection Agency			
State Clean Diesel Grant Program	66.040	MDEQ	-n/a-

Approved Award Amount (Memo Only)	Prior Years Expenditures (Memo Only)	Accrued (Deferred) Revenue at June 30, 2011	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2012
\$ 10,339,767	\$ 8,746,926	\$ 712,145	\$ -	\$ 2,304,986	\$ 1,592,841	\$ -
10,601,204	-	-	-	10,034,694	10,601,204	566,510
1,714,598	-	-	-	1,714,598	1,714,598	-
141,895	1,596	-	-	140,299	140,299	-
4,748,543	1,796,777	138,931	1,099,433 *	4,190,130	2,951,766	-
14,078,287	14,078,287	1,109,082	(1,099,433) *	9,649	-	-
19,708,493	-	-	-	18,685,062	19,708,493	1,023,431
14	-	-	-	14	14	-
54,959	-	-	-	54,959	54,959	-
5,708	-	-	-	5,708	5,708	-
396,248	-	-	-	-	396,248	396,248
40,701	-	-	-	-	40,701	40,701
		<u>1,960,158</u>	<u>-</u>	<u>37,140,099</u>	<u>37,206,831</u>	<u>2,026,890</u>
-	-	-	-	(71,415)	-	71,415
1,659,240	1,626,639	392,807	-	425,408	32,601	-
113,052	110,826	25,821	-	28,047	2,226	-
1,082,008	-	-	-	799,611	1,082,008	282,397
72,634	-	-	-	54,442	72,634	18,192
		<u>418,628</u>	<u>-</u>	<u>1,236,093</u>	<u>1,189,469</u>	<u>372,004</u>
4,574	-	-	-	4,574	4,574	-
451,958	300,281	88,082	-	239,734	151,652	-
400,359	-	-	-	400,359	400,359	-
		<u>88,082</u>	<u>-</u>	<u>640,093</u>	<u>552,011</u>	<u>-</u>
		<u>2,466,868</u>	<u>-</u>	<u>39,020,859</u>	<u>38,952,885</u>	<u>2,398,894</u>
90,000	5,786	5,786	-	22,121	8,245	(8,090)
11,500,000	6,027,223	(25,168)	-	-	-	(25,168)
\$ 847,666	\$ -	\$ (144)	\$ -	\$ -	\$ -	\$ (144)

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DETROIT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Pass Through Entity	Pass-through/ Grantor Number
U.S. Department of Education			
Title VII Indian Education 08-09	84.060	Direct	-n/a-
Adult Basic Education:			
Project number 09130 091337	84.002	MDLEG	09130-091337
Project number 10120 105337	84.002	MDLEG	10120-105337
Project number 11130 111337	84.002	MDLEG	11130-111337
Project number 12130 121337	84.002	MDLEG	12130-121337
Total Adult Basic Education			
Title I, Part A Cluster			
Title I, Part A:			
Project number 101530 0910	84.010	MDE	101530-0910
Project number 101550 0910	84.010	MDE	101550-0910
Project number 111530 1011	84.010	MDE	111530-1011
Project number 111550 1011	84.010	MDE	111550-1011
Project number 111700 1011	84.010	MDE	111700-1011
Project number 121530 1112	84.010	MDE	121530-1112
Project number 121550 1112	84.010	MDE	121550-1112
Project number 121700 1112	84.010	MDE	121700-1112
ARRA - Title I, Part A			
Project number 101535 0910	84.389	MDE	101535-0910
Project number 101555 0910	84.389	MDE	101555-0910
Project number 111535 1011	84.389	MDE	111535-1011
Project number 111705 1011	84.389	MDE	111705-1011
Total Title I, Part A Cluster			
Migrant Education:			
Project number 101890 0910	84.011	MDE	101890-0910
Project number 101830 2010 (Summer)	84.011	MDE	101830-2010
Project number 111890 1011	84.011	MDE	111890-1011
Project number 111830 2011 (Summer)	84.011	MDE	111830-2011
Project number 121890 1112	84.011	MDE	121890-1112
Project number 121830 2012 (Summer)	84.011	MDE	121830-2012
Total Migrant Education			
Career & Technical Education (Perkins II):			
Project number 103520 101224	84.048	MDE	103520-101224
Project number 103530 101024	84.048	MDE	103530-101024
Project number 103530 111024	84.048	MDE	103530-111024
Project number 113520 111224	84.048	MDE	113520-111224
Project number 123520 121224	84.048	MDE	123520-121224
Total Career & Technical Education (Perkins II)			

Approved Award Amount (Memo Only)	Prior Years Expenditures (Memo Only)	Accrued (Deferred) Revenue at June 30, 2011	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2012
41,085	18,594	(6,715)	-	-	-	(6,715)
1,000,000	983,336	35,331	(35,331) *	-	-	-
22,000	7,595	(6,107)	-	(6,107)	-	-
157,468	157,468	134,935	-	134,935	-	-
100,000	-	-	-	-	100,000	100,000
		<u>164,159</u>	<u>(35,331)</u>	<u>128,828</u>	<u>100,000</u>	<u>100,000</u>
205,101,231	151,741,840	(4,687)	-	-	-	(4,687)
1,285,000	336,893	(139,299)	-	(139,299)	-	-
167,934,250	167,934,250	51,630,728	-	51,630,728	-	-
1,750,000	95,489	63,753	-	334,819	271,066	-
739,294	96,321	68,193	-	227,400	159,207	-
192,414,033	-	-	-	137,359,248	156,270,071	18,910,823
188,392	-	-	-	-	187,964	187,964
643,262	-	-	-	150,224	190,218	39,994
149,429,745	65,689,542	(2,659,614)	-	(2,659,614)	-	-
6,272,735	559,079	559,079	-	3,908,498	3,345,494	(3,925)
84,330,723	79,889,467	37,495,429	-	41,936,685	4,441,256	-
416,587	181,239	115,189	-	173,267	(706)	(58,784)
		<u>87,128,771</u>	<u>-</u>	<u>232,921,956</u>	<u>164,864,570</u>	<u>19,071,385</u>
207,284	67,187	-	-	-	-	-
40,286	12,330	-	-	-	-	-
205,936	80,128	64,868	-	72,896	8,028	-
34,746	34,746	34,746	(14,399) *	20,347	-	-
51,870	-	-	-	-	51,870	51,870
7,932	-	-	-	-	7,547	7,547
		<u>99,614</u>	<u>(14,399)</u>	<u>93,243</u>	<u>67,445</u>	<u>59,417</u>
3,493,453	3,272,802	(204,003)	-	(204,003)	-	-
42,636	3,813	(38,823)	-	(38,823)	-	-
5,023	5,023	5,023	-	5,950	-	(927)
4,620,711	4,191,725	1,528,072	-	1,755,021	226,949	-
4,179,107	-	-	-	2,088,262	3,622,235	1,533,973
		<u>1,290,269</u>	<u>-</u>	<u>3,606,407</u>	<u>3,849,184</u>	<u>1,533,046</u>

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DETROIT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Pass Through Entity	Pass-through/ Grantor Number
U.S. Department of Education			
Drug-free Schools and Communities National Program:			
Project number 042600/OC503A	84.184	MDE	042600 CS03A
Project number 042600 CS205	84.184	MDE	042600 CS205
Project number 122790 SS2012/SS2012M//SS2012P	84.184	MDE	122790 SS2012/M/P
Total Drug-free Schools and Communities National Program			
Safe and Drug-free Schools and Communities:			
Project number 112860 1011	84.186	MDE	112860-1011
Project number 112860 1011B	84.186	MDE	112860-1011B
Total Safe and Drug-free Schools and Communities			
Homeless Children and Youths:			
Project number 102320 0910	84.196	MDE	102320 0910
Project number 112320 1011	84.196	MDE	112320 1011
Project number 112320 1011 - C	84.196	MDE	112320 1011-C
Project number 122320 1112	84.196	MDE	122320 1112
Total Homeless Children and Youths			
Smaller Learning Community Phase 2	84.215	MDE	-n/a-
21st Century Community Learning Center:			
Project number 112110 D07027	84.287	MDE	112110 D07027
Project number 112110 F09017	84.287	MDE	112110 F09017
Project number 112110 F09020	84.287	MDE	112110 F09017
Project number 112110 F09022	84.287	MDE	112110 F09020
Project number 112110 D07035	84.287	MDE	112110 D07035
Project number 122110 D07027	84.287	MDE	122110 D07027
Project number 122110 F09017	84.287	MDE	122110 F09017
Project number 122110 F09020	84.287	MDE	122110 F09020
Project number 122110 F09022	84.287	MDE	122110 F09022
Project number 122110 D07035	84.287	MDE	122110 F07035
Total 21st Century Community Learning Center			
Comprehensive School Reform Demonstration -			
Project number 061870 0607	84.332	MDE	061870-0607
Title III Limited English:			
Project number 090580 0809	84.365	MDE	090580-0809
Project number 110570 1011	84.365	MDE	110570-1011
Project number 110580 1011	84.365	MDE	110580-1011
Project number 120580 1112	84.365	MDE	120580-1112
Total Title III Limited English			
Title II, Part A Teacher Training/ Principal Training:			
Project number 060520 0506	84.367	MDE	060520-0506
Project number 100520 0910	84.367	MDE	100520-0910
Project number 110520 1011	84.367	MDE	110520-1011
Project number 120520 1112	84.367	MDE	120520-1112
Total Title II, Part A Teacher Training/ Principal Training			

Approved Award Amount (Memo Only)	Prior Years Expenditures (Memo Only)	Accrued (Deferred) Revenue at June 30, 2011	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2012
\$ 93,272	\$ 91,267	\$ (2,005)	\$ -	\$ -	\$ -	\$ (2,005)
10,500	7,607	(2,893)	-	-	-	(2,893)
118,327	-	-	-	88,836	118,327	29,491
		<u>(4,898)</u>	<u>-</u>	<u>88,836</u>	<u>118,327</u>	<u>24,593</u>
1,071,915	405,260	237,559	-	904,214	666,655	-
410,260	405,260	-	-	5,000	5,000	-
		<u>237,559</u>	<u>-</u>	<u>909,214</u>	<u>671,655</u>	<u>-</u>
164,212	122,390	(5,550)	-	(5,550)	-	-
110,701	64,934	46,577	(1,879) *	44,698	-	-
110,701	64,934	-	1,879 *	1,951	14,437	14,365
119,537	-	-	-	17,700	17,700	-
		<u>41,027</u>	<u>-</u>	<u>58,799</u>	<u>32,137</u>	<u>14,365</u>
2,500,000	1,888,837	(198,337)	-	-	-	(198,337)
750,000	625,834	94,621	-	218,787	124,166	-
750,000	512,313	90,942	-	116,846	25,904	-
750,000	550,794	102,994	-	227,457	124,463	-
750,000	584,168	93,318	-	219,253	125,935	-
750,000	436,177	121,297	-	239,666	118,369	-
675,000	-	-	-	465,275	574,024	108,749
675,000	-	-	-	419,826	501,797	81,971
675,000	-	-	-	453,197	554,192	100,995
675,000	-	-	-	426,993	538,745	111,752
675,000	-	-	-	424,945	514,406	89,461
		<u>503,172</u>	<u>-</u>	<u>3,212,245</u>	<u>3,202,001</u>	<u>492,928</u>
632,150	551,510	(6,235)	-	-	-	(6,235)
1,945,829	619,167	-	-	-	-	-
169,872	82,930	56,710	54	58,316	1,552	-
2,082,448	928,730	633,624	-	694,702	61,078	-
2,762,395	-	-	-	693,024	957,479	264,455
		<u>690,334</u>	<u>54</u>	<u>1,446,042</u>	<u>1,020,109</u>	<u>264,455</u>
543,612	524,932	(16,680)	16,680 *	-	-	-
33,663,836	16,056,873	-	8,467 *	-	38,513	46,980
32,562,758	25,825,443	9,873,863	(507,516) *	9,366,347	-	-
39,309,427	-	-	-	17,603,498	22,889,487	5,285,989
		<u>9,857,183</u>	<u>(482,369)</u>	<u>26,969,845</u>	<u>22,928,000</u>	<u>5,332,969</u>

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DETROIT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Pass Through Entity	Pass-through/ Grantor Number
U.S. Department of Education			
School Improvement Grant Cluster:			
Formula School Improvement:			
Project number 111760 1112	84.377	MDE	111760-1112
Project number 101760 1112	84.377	MDE	101760-1112
ARRA - School Improvement Grant:			
Project number 101765 1011	84.388	MDE	101765-1011
Project number 101765 1112	84.388	MDE	101765-1112
Project number 101765 1112SIGII	84.388	MDE	101765-1112SIGII
Total School Improvement Grant Cluster			
ARRA - Title II, Part D - Technology Literacy Challenge - Project number 114295 1011	84.386	MDE	114295-1011
ARRA - Homeless Children and Youths: Project number 102325 0910	84.387	MDE	102325-0910
ARRA - State Fiscal Stabilization Fund - Education State Grants:			
Project number 102525 0910	84.394	MDE	102525-0910
Project number 112525 1011	84.394	MDE	112525-1011
Total ARRA - State Fiscal Stabilization Fund - Education State Grants			
Education Jobs Fund - Project number 112545 1112	84.410	MDE	112545-1112
Special Education Cluster:			
Individuals with Disabilities Education Act:			
Education of the Handicapped 09/10	84.027	WRESA	-n/a-
Education of the Handicapped 10/11	84.027	WRESA	-n/a-
Education of the Handicapped 11/12	84.027	WRESA	-n/a-
Center Expansion 09/10	84.027	WRESA	-n/a-
Center Expansion 10/11	84.027	WRESA	-n/a-
Center Expansion 11/12	84.027	WRESA	-n/a-
Assistive Technology Training and Information Center Grant - 09/10	84.027	WRESA	-n/a-
Assistive Technology Training and Information Center Grant - 10/11	84.027	WRESA	-n/a-
Assistive Technology Training and Information Center Grant - 11/12	84.027	WRESA	-n/a-
Preschool Incentive:			
Preschool Incentive - 08/09	84.173	WRESA	-n/a-
Preschool Incentive - 09/10	84.173	WRESA	-n/a-
Preschool Incentive - 10/11	84.173	WRESA	-n/a-
Preschool Incentive - 11/12	84.173	WRESA	-n/a-
ARRA - Individuals with Disabilities Education Act:			
Education of the Handicapped 09/10	84.391	WRESA	-n/a-
Center Expansion 09/10	84.391	WRESA	-n/a-
Assistive Technology Training and Information Center Grant - 09/10	84.391	WRESA	-n/a-
ARRA - Preschool Incentive - Preschool Incentive - 09/10	84.392	WRESA	-n/a-
Total Special Education Cluster			

Approved Award Amount (Memo Only)	Prior Years Expenditures (Memo Only)	Accrued (Deferred) Revenue at June 30, 2011	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2012
\$ 12,547,655	\$ -	\$ -	\$ -	\$ 4,922,573	\$ 6,093,423	\$ 1,170,850
3,608,052	-	-	-	1,460,781	2,146,225	685,444
2,786,377	1,864,552	827,567	-	1,749,392	921,825	-
4,554,303	-	-	-	2,344,852	3,397,815	1,052,963
3,476,919	-	-	-	1,581,664	1,918,777	337,113
		<u>827,567</u>	<u>-</u>	<u>12,059,262</u>	<u>14,478,065</u>	<u>3,246,370</u>
2,968,810	501,792	367,645	-	2,834,663	2,467,018	-
177,848	89,015	(16)	471	88,817	88,362	-
26,777,590	26,777,590	-	-	-	-	-
9,857,594	9,857,594	3,187	-	3,187	-	-
		<u>3,187</u>	<u>-</u>	<u>3,187</u>	<u>-</u>	<u>-</u>
2,524,603	1,265,293	-	-	-	1,259,310	1,259,310
20,973,368	20,957,622	882,349	15,746 *	898,095	-	-
21,234,525	10,759,707	934,298	(1,280,081) *	7,456,121	11,754,899	3,952,995
10,427,764	-	-	-	10,884,846	10,418,764	(466,082)
2,904,785	2,904,068	(717)	717 *	-	-	-
4,152,209	4,152,209	2,407,875	-	2,407,875	-	-
7,950,903	4,152,209	-	-	3,349,181	3,748,241	399,060
525,000	523,384	(1,616)	1,616 *	-	-	-
525,000	464,352	369,726	-	430,374	60,648	-
434,899	-	-	-	293,400	434,899	141,499
583,947	583,947	15,279	(15,279) *	-	-	-
540,384	472,635	28,656	67,749 *	96,405	-	-
591,203	263,766	105,204	-	334,646	327,437	97,995
348,162	-	-	-	262,607	345,488	82,881
\$ 21,931,866	\$ 20,612,402	\$ 8,350,257	\$ 569,464 *	\$ 8,919,721	\$ -	\$ -
3,412,149	2,958,528	942,274	453,621 *	1,395,895	-	-
350,000	266,276	266,276	83,724 *	350,000	-	-
764,678	677,234	477,256	87,444 *	564,700	-	-
		<u>14,777,117</u>	<u>(15,279)</u>	<u>37,643,866</u>	<u>27,090,376</u>	<u>4,208,348</u>

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DETROIT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Pass Through Entity	Pass-through/ Grantor Number
U.S. Department of Education			
Early on Grant:			
Early on Introverted with Sensing, Feeling, and Perceiving	84.181	WRESA	-n/a-
Total U.S. Department of Education			
U.S. Department of Health and Human Services			
Temporary Assistance for Needy Families:			
Project number 112130 SE11017	93.558	MDE	112130-SE11017
Project number 112130 SE11019	93.558	MDE	112130-SE11019
Project number 112130 SE11020	93.558	MDE	112130-SE11020
Total Temporary Assistance for Needy Families			
Head Start Cluster:			
Head Start 09/10	93.600	COD	-n/a-
Head Start 10/11	93.600	COD	-n/a-
Head Start 11/12	93.600	COD	-n/a-
Head Start Special Education 09/10	93.600	COD	-n/a-
Head Start Special Education 10/11	93.600	COD	-n/a-
Head Start Special Education 11/12	93.600	COD	-n/a-
ARRA - Head Start Quality Improvement/Cost of Living Adjustment	93.708	COD	-n/a-
Total Head Start Cluster			
Medical Assistance Program -			
Medicaid Outreach 11-12	93.778	WRESA	-n/a-
HRRTEP			
HRRTEP - 09/10	93.938	WRESA	-n/a-
HRRTEP - 10/11	93.938	WRESA	-n/a-
Total HRRTEP			
Total U.S. Department of Health and Human Services			
Total Federal Awards			

* Amount represents adjustments to prior year expenditures

See accompanying notes to the SEFA

Approved Award Amount (Memo Only)	Prior Years Expenditures (Memo Only)	Accrued (Deferred) Revenue at June 30, 2011	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2012
11,000	5,500	(6,000)	500 *	-	5,500	-
		115,765,403	(546,353)	322,065,210	242,242,059	35,395,899
96,481	5,470	5,470	-	76,144	70,563	(111)
35,203	86	86	-	31,461	31,375	-
106,261	939	939	(32) *	95,268	94,361	-
		6,495	(32)	202,873	196,299	(111)
4,919,977	4,890,272	-	-	-	-	-
5,007,125	3,701,157	799,261	-	1,764,177	964,916	-
3,154,816	-	-	-	-	3,129,478	3,129,478
200,172	46,176	-	-	-	-	-
200,172	46,550	46,550	(46,550) *	-	-	-
200,172	-	-	-	-	154,787	154,787
340,546	222,077	134,928	-	134,928	-	-
		980,739	(46,550)	1,899,105	4,249,181	3,284,265
198,125	-	-	-	198,125	198,125	-
225,000	117,735	293,762	-	-	-	293,762
250,656	37,268	37,268	-	-	154,903	192,171
		331,030	-	-	154,903	485,933
		1,318,264	(46,582)	2,300,103	4,798,508	3,770,087
		\$ 119,531,009	\$ (592,935)	\$ 363,408,293	\$ 286,001,697	\$ 41,531,478



DETROIT PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Detroit Public Schools (the "District") under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

2. SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, deferred revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

2. RECONCILIATION OF BASIC FINANCIAL STATEMENTS

The following schedule reconciles federal sources reported in the financial statements to the expenditures reported on the schedule of expenditures of federal awards:

Federal sources reported in the financial statements	\$ 300,520,978
Less: Federal revenue related to qualified bond interest	(14,519,281)
Expenditures reported in the schedule of expenditures of federal awards	<u>\$ 286,001,697</u>

3. PASS-THROUGH AGENCIES

The District receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDLEG	Michigan Department of Labor and Economic Growth
WRESA	Wayne County Regional Education Service Area
COD	City of Detroit





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

November 15, 2012

Emergency Financial Manager
Detroit Public Schools
Detroit, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Detroit Public Schools* (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the District, and have issued our report thereon dated November 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-FS-01 through -04 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-FS-05 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-FS-04 and -06.

We noted certain other matters that we reported to management of the District in a separate letter dated November 15, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
 REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
 ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
 COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

November 15, 2012

Emergency Financial Manager
 Detroit Public Schools
 Detroit, Michigan

Compliance

We have audited the compliance of *Detroit Public Schools* (the "District") with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs 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 the District's management. Our responsibility is to express an opinion on the District's 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 the District's 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 of the District's compliance with those requirements.

As identified below and described in the accompanying schedule of findings and questioned costs, the District did not comply with certain compliance requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to the identified major federal programs.

Federal Program	CFDA Number	Finding Numbers
Special Education Cluster	84.027, 84.173, 84.391, & 84.392	2012-SA-10
School Improvement Grant Cluster	84.377 & 84.388	2012-SA-10
Head Start Cluster	93.600	2012-SA-06

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-SA-01, -02, -03, -04, -05, -07, -08, -09, -11, and -12.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-SA-06 and -10 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-SA-01, -02, -04, -05, -07, and -12 to be significant deficiencies.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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

Rehmann Johnson



DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? X yes none reported

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? X yes no

Identification of major programs/
Type of auditor's report issued on compliance for major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
10.553/10.555/10.559	Child Nutrition Cluster	Unqualified
84.010/84.389	Title I, Part A Cluster	Unqualified
84.027/84.173/84.391/84.392	Special Education Cluster	Qualified
84.048	Career & Technical Education	Unqualified
84.287	21st Century Community Learning	Unqualified
84.367	Title II, Part A	Unqualified
84.377/84.388	School Improvement Grant Cluster	Qualified
93.600	Head Start Cluster	Qualified

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

Auditee qualified as low-risk auditee? yes X no

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

2012-FS-01 - Audit Adjustments - Payroll Benefits

Finding Type. Material weakness in internal control over financial reporting

Criteria. The District is responsible for the reconciliation of all general ledger accounts to their underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition. In the government-wide financial statements, we identified and proposed certain material adjustments (which were approved and posted by management) to adjust the District's general ledger to the appropriate balances.

The compensated absences balance at June 30, 2012 included certain amounts that were inappropriately accrued. Under Emergency Order 2011-EMRR19-A and the related Settlement Agreement, effective July 29, 2011, employees are no longer entitled to the payout of their accumulated sick pay upon their retirement or resignation from the District.

The net other postemployment benefits obligation liability ("NOPEBO") was originally calculated incorrectly as follows: the liability calculation did not include the required interest and annual required contribution adjustments. In addition, other related payments were not properly factored into the liability calculation.

Cause. Internal control policies and procedures for evaluating, calculating, and reviewing the account reconciliation for compensated absences were not properly implemented to ensure that the underlying balances were accurate.

Effect. As a result of this condition, the District's internal accounting records were initially misstated by amounts that were material to the District's financial statements. Compensated absences was initially overstated by approximately \$13 million. In addition, NOPEBO was initially understated by approximately \$0.7 million.

Recommendation. Although all necessary corrections were made to the financial statements prior to final issuance, we recommend that management conduct a more consistent and thorough evaluation of year end compensated absences and NOPEBO accounts to ensure that they are complete and accurate.

View of Responsible Officials. The District will institute new policies and procedures to ensure that the balances and calculations are accurate for Payroll Benefits. The policy will also include evaluation methods, calculations and a review process.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2012-FS-02 - Audit Adjustments - Bonds Payable and Related Accounts (Repeat)

Finding Type. Material weakness in internal controls over financial reporting

Criteria. When an entity refunds bonds, all deferred amounts related to the refunded bonds including unamortized premiums, discounts, and issuance costs should be eliminated. The new debt issuance should be recorded at par value net of applicable discounts and premiums, and issuance costs should be recorded as an asset. The difference between the amounts removed for the old bonds and the amounts recorded for the new bonds should be recorded as a deferred loss on refunding. In addition, interest expense should be accrued for amounts incurred but not paid at year end.

Condition. Unamortized bond premiums, discounts, issuance costs, and the loss on refunding were not appropriately recorded for the refunding bonds issued in the current year. In addition, the accrued interest payable was recorded based on incorrect terms.

Cause. The internal control procedures are not properly designed to ensure that transactions related to the issuance and payment of bonds and notes payables are recorded appropriately.

Effect. As a result of this condition, the District's internal accounting records were misstated by amounts that were material to the District's financial statements. In the government-wide financial statements, bonds payable were initially understated by approximately \$10.9 million and other assets were initially understated by approximately \$0.8 million. In addition, interest payable on long-term bonds payable was understated by approximately \$2.1 million. All of the adjustments proposed as a result of the audit process were reviewed, approved, and posted by management.

Recommendation. Although all necessary corrections were made to the financial statements prior to final issuance, we recommend that management conduct a more thorough evaluation of all transactions which affect bonds and notes payable and related accounts.

View of Responsible Officials. Staff will be educated and trained on the proper way to treat bonds overall including refunding of bonds, unamortized premiums, discounts, and issuance costs as it relates bonds. Staff will also perform a quarterly review on bond related accounts to ensure that transactions related to issuance and payment of bonds are recorded appropriately.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2012-FS-03 - Audit Adjustments - Property Taxes (Repeat)

Finding Type. Material weakness in internal controls over financial reporting

Criteria. The District is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition. When originally received, calculations made to estimate property tax chargebacks were based on inappropriate assumptions and information. Also, the levy amount used in the calculation was not reconciled to taxable values reported to the State of Michigan by Wayne County through Form DS-4410B.

Cause. Internal control procedures were not sufficient to detect errors in calculations of estimated amounts. In addition, information provided to the District by local taxing authorities is not sufficient to determine whether amounts collected and transmitted to the District and amounts reported to the State of Michigan properly reconcile.

Effect. Property tax revenue was initially overstated by \$10.3 million, \$4.6 million, and \$0.2 million in the general fund, the bond redemption fund, and the judgment levy fund, respectively, based on the revised estimates. All of the adjustments proposed and discovered as a result of the audit process were reviewed, approved, and posted by management.

Recommendation. We recommend that the District implement controls over all estimates to ensure that assumptions used are appropriate and that calculations made are accurate. We also recommend that the District coordinate with the State of Michigan, Wayne County, the City of Detroit, and all applicable local tax increment financing authorities to ensure that amounts reported to the State and amounts collected and remitted to the District are consistent.

View of Responsible Officials. The District has met with the City throughout the fiscal year to ensure the amounts reported are based on each fiscal and/or tax year. We have agreed to report prior years separately. We have consulted with the state and county on amounts reported for consistency. We will continue to follow this process throughout the year and especially at year-end as amounts are finalized. Differences will be reconciled as required. Training sessions will be provided at the District and at the state level for the Accounting staff.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2012-FS-04 - Budget (Repeat)

Finding Type. Noncompliance; Material weakness in internal control over financial reporting

Criteria. The State of Michigan requires municipalities to adopt budgets for the general fund and all special revenue funds. Expenditures may not be incurred in any of those funds prior to formal authorization through the approval or amendment of the budget. The District is prohibited from adopting a budget or a budget amendment that causes estimated total expenditures, including an accrued deficit, to exceed total estimated revenues. There is no authority to amend the budget after year end. In addition, the Uniform Budgeting and Accounting Act prohibits municipalities from expending funds that are not authorized in the approved budget or from budgeting a deficit.

Condition. The final budget approved by the District did not include revenues and expenditures for prior year grants that carried over into the current fiscal year. In addition, several budgeted adjustments were made to these grants after year-end to account for changes in grant awards that were applicable to the fiscal year. In addition, the District budgeted a fund deficit in the general fund, which violates Section 141.436 of Public Act 2 of 1968. In addition, expenditures exceeded appropriations by material amounts as disclosed in the notes to the financial statements. The District's current procedure includes a process of budget overrides that inappropriately allows actual expenditures to exceed budgeted expenditures at the account level. Finally, the final amended budget presented in the financial statements differs from the budget actually approved as a result of a \$21.3 million reclassification between local revenue and operations and maintenance expenditures in the general fund.

Cause. The District did not properly budget revenues and expenditures and made various budget adjustments after year-end.

Effect. The ability to make appropriate budgetary and operational decisions based on budget and actual data could be slightly inhibited as a result of the delay in recording carryover adjustments and expenditure overrides.

Recommendation. We recommend that the District modify its policies and procedures to ensure that all budget amendments are included in the final amended budget and that all adjustments are made prior to year end. In addition, we recommend the District modify its policies and procedures to ensure that actual expenditures are monitored to ensure there are no expenditures that exceed approved budgeted amounts.

View of Responsible Officials. The Office of Management & Budget will ensure that State and Federal grant carryovers are estimated and included in the current budget, minimize the number of late amendments to the budget, continue to follow the approved deficit elimination plan, implement an expanded review to monitor functional category variances, and ensure that budget overrides are properly reviewed and approved on an exception basis.



DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2012-FS-05 - Audit Adjustments - Capital Assets

Finding Type. Significant deficiency in internal control over financial reporting

Criteria. Capital assets should be evaluated for events that could impact their carrying value. In addition, adequate controls should be in place to ensure that capital asset carrying values are properly recorded in the general ledger and reported in the financial statements.

Condition. The District erroneously removed land related to the Children's Museum from the capital asset listing. In addition, the District capitalized costs related to the old Cass Technical High School that was completely demolished during 2011.

Cause. Internal control procedures related to evaluating and recording capital assets activity are not properly designed to ensure that demolition costs are properly recorded and that all capital assets are properly evaluated for disposal.

Effect. Capital asset balances were initially understated by \$3.2 million for the erroneous removal of land related to the Children's Museum. Capital asset additions included \$3.5 million for demolition costs that did not meet the criteria for capitalization.

Recommendation. Although all necessary corrections were made to the financial statements prior to final issuance, we recommend that management conduct a more consistent and thorough evaluation of all events which may affect the carrying value of any capital asset.

View of Responsible Officials. The Office of Capital Assets will review all capital asset additions and any deletions or modifications resulting from the District's biannual re-inventory process. This procedure will ensure the accuracy of the capital asset database. This process will include an in-depth review of all supporting documentation that is related to asset record charges. The Director of General Ledger Accounting and the Deputy CFO/ CAO will review and approve all journal entries and supporting documentation.

In addition, the Director of General Ledger Accounting and the Deputy CFO will review and approve all capital project transactions and supporting documentation prior to general ledger and asset management system update. This process will ensure that capital project transactions are properly recorded and allocated.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

2012-FS-06 - Noncompliance - Bond Procurement Documentation (Repeat)

Finding Type. Noncompliance

Criteria. Per the Revised School Code MCL 380.1267, competitive bids are required prior to the commencement of construction of a new building, or the addition to or renovation of an existing school building funded through qualified bond proceeds. Further, the Code requires: bids must be advertised in a newspaper of general circulation; each bidder is required to file security conditioned to secure the District from loss or damage by reason of bid withdrawal and failure of bidder to enter a contract for performance; and that all bids are opened and read aloud at or before the time of submission due date.

Condition. For contracts awarded prior to September 1, 2011, the District did not consistently maintain documentation for all compliance requirements related to bonded construction funds as detailed below.

1994 Bonds - The District was unable to provide the contracts for two of the three projects tested. Disbursements totaling approximately \$0.2 million related to these contracts were made during the year.

2009 & 2010 Bonds - The District was unable to provide bidding documentation for certain contracts that are tied to the purchase orders from our selection as follows:

For two of the twenty-two contracts tested, we were not provided evidence for the bid opening and reading as required as part of the competitive bidding process. Disbursements totaling approximately \$4.7 million related to these contracts were made during the year.

For fourteen of the twenty-two contracts tested, we were not provided purchase order requisitions with proper approval. Disbursements totaling approximately \$27 million related to these contracts were made during the year.

Cause. Procurement policies and procedures in effect prior to September 1, 2011 were not consistently followed to ensure compliance with District policies and State law.

Effect. Compliance with the requirements of the Revised School Code has not been adequately documented.

Recommendation. Effective March 1, 2012, the District developed a Policy Manual that outlines proper policies and procedures. No further corrective action will be necessary if the District complies with the policies and procedures outlined in the Policy Manual.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

View of Responsible Officials. The Office of Procurement and Logistics (P&L) developed and implemented a strategic sourcing process with a focus on collaboration, leveraging the buy, delivering savings, process discipline and transparency. The Procurement policy was reviewed and approved by the Emergency Manager and the Michigan Department of Education in February 2012 with an effective date of March 1, 2012. Strategic Category Teams and the Contract File Checklist were implemented to ensure supplier verification, proper approval of requisitions, demonstration of competitiveness including using a reverse auction tool (FedBid) and the proper execution of contracts with appropriate signature per delegation of authority. Internal control reviews are conducted quarterly to ensure compliance and sustainability. Also, staff with strategic sourcing expertise was added. With the implementation of strategic sourcing, the right staff in place and stable leadership, the noncompliance findings in P&L will be resolved.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2012-SA-01 - Activities Allowed - Required Schoolwide Programs

Finding Type. Noncompliance; Significant deficiency in internal controls over compliance

Federal program(s)

U.S. Department of Education:

- School Improvement Grant (SIG) Cluster (CFDA# 84.377 & 84.388); Passed through MDE; All project numbers

Criteria. Per the OMB Circular A-133 Compliance Supplement, Tier I and Tier II schools must operate a schoolwide program to implement one of the School Improvement Grant intervention models.

Condition. The District began implementing an intervention model at a school not operating a schoolwide program.

Cause. Management was under the impression that this requirement was not applicable to the 2011-2012 fiscal year.

Effect. One school of the 23 in the program utilized funds to implement an intervention model while not running the required schoolwide program.

Questioned Costs. \$666,047 (the total amount of SIG funds expended under that school)

Recommendation. We recommend that the District evaluate its procedures to ensure that schoolwide programs are in place as required for schools beginning to implement a School Improvement Grant intervention model.

View of Responsible Officials. The Department of State and Federal programs will collaborate with the Michigan Department of Education to ensure that all schools receiving school improvement grant funds will operate according to federal regulations; including the implementation of the school wide model.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-SA-02 - Allowable Costs/Cost Principles - Payroll Documentation - Timesheets & Workshops (Repeat)

Finding Type. Noncompliance; Significant deficiency in internal controls over compliance

Federal program(s)

U.S. Department of Education:

- Title I, Part A Cluster (CFDA# 84.010 & 84.389); Passed through MDE; All project numbers
- Special Education Cluster (CFDA# 84.027, 84.173, 84.391, 84.392); Passed through WRESA; All project numbers
- Career & Technical Education (CFDA# 84.048); Passed through MDE; All project numbers
- 21st Century Learning Grants (CFDA# 84.287); Passed through MDE; All project numbers
- Title II, Part A (CFDA# 84.367); Passed through MDE; All project numbers
- School Improvement Grant (SIG) Cluster (CFDA# 84.377 & 84.388); Passed through MDE; All project numbers

U.S. Department of Health and Human Services -

- Head Start Cluster (CFDA# 93.600); Passed through COD; All project numbers

Criteria. Per OMB Circular A-87, the District is required to support payroll charges to federal cost objectives with adequate documentation including semi-annual payroll certifications for employees charged 100% to a single federal cost objective and with Personnel Activity Reports for those who split their time between multiple cost objectives.

Condition. The District had multiple payroll transactions charged to federal programs that were not adequately documented.

Cause. This appears to have been a result of the complex and manual timesheet process utilized by the District that can be prone to human error.

Effect. 5 timesheets of 154 tested did not agree to the number of hours paid through the payroll system. In addition, 1 workshop of 29 tested was paid at a higher rate than the amount documented on the workshop form.

Questioned Costs.

- Career & Technical Education - \$576
- Title II, Part A - \$58

Recommendation. We recommend that the District modify its payroll and timekeeping process to ensure that all amounts paid are properly supported by timesheets and workshop logs.

View of Responsible Officials. The District will revise its timekeeping process to ensure that hours worked agree with hours entered into PeopleSoft and this data will be verified to ensure payroll hours are accurately recorded. Also, all workshop rates included on the workshop form will be verified to ensure they agree with the applicable workshop rate.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-SA-03 - Allowable Costs/Cost Principles - Payroll Documentation - Certifications

Finding Type. Noncompliance

Federal program(s)

U.S. Department of Education:

- Title I, Part A Cluster (CFDA# 84.010 & 84.389); Passed through MDE; All project numbers
- Title II, Part A (CFDA# 84.367); Passed through MDE; All project numbers

Criteria. Per OMB Circular A-87, the District is required to support payroll charges to federal cost objectives with adequate documentation including semi-annual payroll certifications for employees charged 100% to a single federal cost objective and with Personnel Activity Reports for those who split their time between multiple cost objectives.

Condition. The District had multiple payroll transactions charged to federal programs that were not adequately documented.

Cause. This appears to be a result of the employee responsible for preparing and signing the payroll certifications not fully understanding the purpose and information that needs to be included on the form.

Effect. 2 employees of 300 tested had multiple certifications covering the same semester indicating that they worked 100% in two different cost objectives at the same time.

Questioned Costs.

- Title I, Part A Cluster - \$47,276
- Title II, Part A - \$46,331

Recommendation. We recommend that the District evaluate its payroll certification process to ensure that all amounts are supported by only one certification.

View of Responsible Officials. Human Resources will implement procedures to ensure that the schoolwide cost objective is identified on future certifications. In addition, personnel actions will not be retroactively processed in PeopleSoft unless a supporting AJE request is provided for the period in question to reallocate funding.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-SA-04 - Allowable Costs/Cost Principles; Matching - In-kind Contributions used for Match (Repeat)

Finding Type. Noncompliance; Significant deficiency in internal controls over compliance

Federal program(s)

U.S. Department of Health and Human Services -

- Head Start Cluster (CFDA# 93.600); Passed through COD; 2010-2011 Regular Head Start

Criteria. OMB Circular A-87 indicates that charges to a federal program used for matching must meet the same criteria as reimbursable costs, including reasonableness and adherence to federal cost principles. The City of Detroit (the District's pass-through grantor) and the Federal government require a 30% and 20% match, respectively.

Condition. The District charged space costs to the 2010-11 Regular Head Start program utilizing a per square foot rate that was not supported by a valid cost study.

Cause. The District did not have adequate documentation for space cost charges to the 2010-11 grant program.

Effect. \$231,092 of in-kind contributions used as matching funds lacked proper documentation and support. Without the space costs, the District did not meet the City of Detroit's 30% match requirement or the Federal 20% match requirement.

Questioned Costs. \$231,092

Recommendation. For the 2011-12 grant programs, the District modified its method for calculating in-kind contributions for space costs to a method which is allowable under OMB Circular A-87. In addition, the District met both Federal and State match requirements. No additional corrective action considered necessary insofar as the District appears to have adequately addressed the issue during the year.

View of Responsible Officials. The District implemented new procedures in response to this finding last year which included moving payroll expenditures for Title 1 employees to a separate account string in the 31A project specifically identified to capture head start matching costs. The District's Management & Budget Department amended the respective budgets and created a new account stream to capture matching costs for Head Start. As noted by the auditors in their review, the revised procedures successfully addressed the matching requirement for Head Start.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-SA-05 - Cash Management; Period of Availability - Improper Reimbursement of Vouchers (Repeat)

Finding Type. Noncompliance; Significant deficiency in internal controls over compliance

Federal program(s)

U.S. Department of Education:

- Career & Technical Education (CFDA# 84.048); Passed through MDE; Project 113520-111224
- Title II, Part A (CFDA# 84.367); Passed through MDE; Project 100520-0910

Criteria. Per the Michigan School Auditing Manual, the District should not request reimbursement of federal funds until after the obligation has been liquidated. In addition, per the OMB Circular A-133 Compliance Supplement, the District is only allowed to charge costs to a federal program that are obligated within a specific time period. These obligations must be liquidated within 60 days after the end of the period.

Condition. The District reported and was reimbursed for costs before the costs were liquidated. Also, these costs were not liquidated within 60 days of the end of the grant period.

Cause. This appears to have been an oversight by the District when identifying costs to report as final expenditures for these grant programs.

Effect. The District was reimbursed for costs before the obligations were liquidated, and the liquidation did not take place within the allowable time period.

Questioned Costs.

- Career & Technical Education - \$102,841
- Title II, Part A - \$38,513

Recommendation. We recommend that the District evaluate its procedures to ensure that costs are liquidated prior to being charged to a federal program for reimbursement and that all costs are liquidated within the appropriate period.

View of Responsible Officials. The District will implement procedures to track grant expenditures to ensure all expenditures are liquidated within the grant period.



DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-SA-06 - Eligibility - Proper Documentation of Income Verification (Repeat)

Finding Type. Material noncompliance; Material weakness in internal controls over compliance

Federal program(s)

U.S. Department of Health and Human Services -

- Head Start Cluster (CFDA# 93.600); Passed through COD; All project numbers

Criteria. Per the OMB Circular A-133 Compliance Supplement, a family's income must be verified by a Head Start grantee before determining that a child is income eligible. Copies of income verification documents need not be retained; however, a statement signed by an employee of the grantee indicating which income verification document was examined must be included in the child or family record. A certain number of students who are not income eligible may be enrolled in the program but must be reported to the pass-through grantor.

Condition. For certain records, documentation maintained by the District did not indicate which income verification document was examined or the document examined was not listed as acceptable in the OMB Circular A-133 Compliance Supplement.

Cause. Procedures in place were not effective to ensure compliance with this requirement.

Effect. Of the 60 child records selected, 5 did not indicate what verification document was examined or the verification document indicated was not one of those listed as acceptable in the OMB Circular A-133 Compliance Supplement. Additionally, four applications indicated that the family income was over the allowable limit but this status was not reported to the pass-through grantor.

Questioned Costs. Not readily determinable

Recommendation. We recommend the District implement a review process to ensure that the child records include the required statement, that the income verification document examined is one of those listed as allowable in the OMB Circular A-133 Compliance Supplement, and that all over-income students are properly reported to the pass-through grantor.

View of Responsible Officials. The Head Start program revised the income verification form to remove the "other " category, which will require that only those income categories authorized in OMB Circular A-133 are selected. In addition, training on eligibility procedures will be provided to all instructional and administrative staff. As a final check, the enrollment manager will review all applications for accuracy prior to being filed.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-SA-07 - Earmarking - Enrollment of Children with Disabilities (Repeat)

Finding Type. Noncompliance; Significant deficiency in internal controls over compliance

Federal program(s)

U.S. Department of Health and Human Services -

- Head Start Cluster (CFDA# 93.600); Passed through COD; All project numbers

Criteria. The OMB Circular A-133 Compliance Supplement requires that not less than 10 percent of the total number of children actually enrolled by each Head Start Agency and each delegate agency must be children with disabilities determined to be eligible for special education and related services. The contract with the City of Detroit requires that this percentage be met within 90 days of the beginning of classes.

Condition. The District did not attain 10% enrollment of children with disabilities within 90 days of the beginning of classes.

Cause. The District's procedures related to this requirement were not sufficient to prevent noncompliance with the OMB Circular and contract provisions.

Effect. The District was not in compliance with this contract provision.

Questioned Costs. Not readily determinable

Recommendation. The District should implement changes to existing procedures to ensure that 10% enrollment of children with disabilities is attained within 90 days of the beginning of classes.

View of Responsible Officials. The Department of Human Services of the City of Detroit, Grantee for DPS Project Head Start applied to Region V for a waiver on behalf of the delegates in the City of Detroit. In May of 2012 the City of Detroit relinquished its role as the Head Start Grantee for the City of Detroit. The City did not provide the District with a copy of the waiver. The Head Start program is now under the management of Community Development Institute, the interim grantee. In an effort to be in compliance with federal regulations of 10% enrollment of children with disabilities for the 2012-2013 school years, the Foundation for Early Learners has:

- Met with the Special Education Department to identify students with disabilities for enrollment in the program;
- Actively recruited students with disabilities during our enrollment campaign.
- Identified children with suspected disabilities through formal assessment with the departments' psychologist or the Resource Coordinating Team process, referrals from teachers, and recommendations or requests from parents during the enrollment process.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-SA-08 - Procurement; Suspension & Debarment - Bid Documentation and Verification (Repeat)

Finding Type. Noncompliance

Federal program(s)

U.S. Department of Agriculture -

- Child Nutrition Cluster (CFDA# 10.553, 10.555, & 10.559); Passed through MDE; All project numbers

U.S. Department of Education -

- Title II, Part A (CFDA# 84.367); Passed through MDE; All project numbers

Criteria. 34 CFR section 80.36 requires that bidding procedures be used to ensure open competition for all contracts in excess of \$100,000. MCL 380.1274 lowers the threshold for requiring open competition on supplies, materials and equipment contracts to \$21,825. On November 24, 2008, due to the high risk status of the District, the Michigan Department of Education lowered the threshold for requiring open competition on service contracts to \$25,000. In addition, per the OMB Circular A-133 Compliance Supplement, non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000.

Condition. The District did not properly document that it had properly bid or verified vendors for suspension and debarment before procuring good and services.

Cause. The one contract without bid documentation is old although still active and if the contract had been bid the documentation could not be found. The issues related to verification of suspension and debarment appears to be the result of inconsistent application of the District's procedures.

Effect. One contract did not have proper bid documentation supporting the selection of the vendor. In addition, the contract previously mentioned as well as four other purchase orders were executed without proper verification that the vendor was not suspended or debarred.

Questioned Costs. During the tests of compliance, it was determined that the vendors who had not been verified for suspension and debarment, were not suspended or debarred based on a search of the excluded parties list system; therefore, no costs have been questioned relating to these items. Questioned costs related to the contract that did not have sufficient bid documentation are as follows.

- Child Nutrition Cluster - \$28,979

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Recommendation. We recommend that the District implement appropriate procedures to ensure that all contracts meeting the State's threshold allow for full and open competition and that supporting documentation be created and retained in the contract file. In addition, we recommend that the District implement procedures to identify covered transactions that were not previously verified and perform the verification necessary to comply with this requirement.

View of Responsible Officials. This is an old contract that was sourced in 2010 (two fiscal years ago). This contract was executed prior to new leadership and new processes that are in place that addresses the bid documentation and verification concern. The new procedures implemented include a contract file checklist that requires the employee to document the vendors' suspension debarment status by including a screen shot of that status in the contract file.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-SA-09 - Reporting - Summer Food Service Meals

Finding Type. Noncompliance

Federal program(s)

U.S. Department of Agriculture -

- Child Nutrition Cluster (CFDA# 10.559); Passed through MDE; Projects 110900 & 120900

Criteria. The OMB Circular A-133 Compliance Supplement and the District's grant agreement with the Michigan Department of Education require that summer food service meals be reported for reimbursement. These reports should be supported with accurate records prepared when the meals are served.

Condition. The District reported meals to the Michigan Department of Education for reimbursement that were not adequately documented.

Cause. Procedures in place were not effective to ensure compliance with this requirement.

Effect. Of the 2,565 breakfasts, 5,304 lunches and 1,120 suppers reported in August 2011, the District did not have supporting documentation for 93, 111, and 267, respectively.

Questioned Costs. \$1,419

Recommendation. We recommend that the District implement appropriate procedures to ensure that supporting documentation is prepared and retained for all summer food service meals reported.

View of Responsible Officials. All meal service documents will be consolidated and electronically archived for quick retrieval. Additionally, a physical copy will be stored with the claim submission. To accomplish compliance, staff will be retrained on the document maintenance requirement standard. The Director of Business Services or their designee will review files to ensure documents are being maintained in compliance with this requirement.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-SA-10 - Reporting - 1512 Reports (Repeat)

Finding Type. Material noncompliance; Material weakness in internal controls over compliance

Federal program(s)

U.S. Department of Education:

- Special Education Cluster (CFDA# 84.391, 84.392); Passed through WRESA; All ARRA projects
- School Improvement Grant (SIG) Cluster (CFDA# 84.388); Passed through MDE; All ARRA projects

Criteria. Section 1512 of the American Recovery and Reinvestment Act (“Recovery Act”) requires reporting on the use of Recovery Act funding by recipients. Among other things, the recipients’ reports are required to disclose the cumulative amount paid to vendors receiving a single payment of \$25,000 or more of Recovery Act funds.

Condition. The District did not report the required information for the Special Education Cluster on the October 2011 and January 2012 quarterly reports filed during the year. In addition, the District did not report required information for the School Improvement Grant Cluster on the October 2011, January 2012, April 2012, and July 2012 reports.

Cause. The District’s procedures related to these requirements were not sufficient to prevent noncompliance with section 1512 of the Recovery Act.

Effect. The District did not report that any vendors received a single payment of \$25,000 from ARRA special education funds. An analysis of the voucher detail of the District indicates that 8 vendors did receive a single payment exceeding \$25,000 and that cumulative payments to these vendors of \$1,202,423 should have been reported. In addition, the district had 11 vendors cumulatively paid \$1,199,406 with School Improvement Grant funds that should have been reported and were not, as well as an additional 12 vendors where the District cumulatively underreported \$764,076 on the 1512 reports.

Questioned Costs. None

Recommendation. We recommend that the District implement procedures adequate to ensure that all vendor data submitted in the 1512 reports is accurate.

View of Responsible Officials. The Office of Grant Compliance is aware that vendor payments were underreported for several quarters during the 2010-11 budget period and in fact had made the request to re-open those reports for amendments. It is clearly stipulated on the Michigan Department of Education’s website that reports may be amended at any time. It has been determined that an accounting professional familiar with both the 1512 Report and the District’s accounting procedures will be retained to complete future reports and correct existing reports.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-SA-11 - Special Tests & Provisions - Schools in Need of Improvement

Finding Type. Noncompliance

Federal program(s)

U.S. Department of Education -

- Title I, Part A Cluster (CFDA# 84.010 & 84.389); Passed through MDE; All project numbers

Criteria. The Michigan School Auditing Manual indicates that any schools which were identified for improvement during the preceding two years must spend 10% of their Title I, Part A funds in professional development related to the reason the school did not make Adequate Yearly Progress.

Condition. For the 2011 grant year, certain Title I, Part A eligible schools identified for improvement did not spend 10% of their funding on professional development, as required.

Cause. While the District's internal control processes require that the budget provide for 10% of the funds to be used for professional development, there is no control in place to ensure that 10% of the actual expenditures are related to professional development as required.

Effect. Of the 9 schools selected during our test, 4 schools did not spend 10% of their Title I, Part A expenditures for professional development.

Questioned Costs. None

Recommendation. We recommend that the District implement policies and procedures sufficient to ensure that 10% of the actual Title I, Part A expenditures by school are spent on professional development, as required.

View of Responsible Officials. The District will implement a monitoring process to periodically review professional development activities by school to ensure Title I school expenditures for professional development activities by schools meet the ten percent threshold.

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Concluded) For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)

2012-SA-12 - Special Tests and Provisions - Average Class Size (Repeat)

Finding Type. Noncompliance; Significant deficiency in internal controls over compliance

Federal program(s)

U.S. Department of Health and Human Services -

➤ Head Start Cluster (CFDA# 93.600); Passed through COD; All project numbers

Criteria. The U.S. Department of Health and Human Services performance standards section 1306.32 requires that average class sizes must be between 17 and 20 students, with no one class having enrollment above 20 students.

Condition. The District's average class size for the Head Start program did not meet the minimum average class size of 17.

Cause. The District's procedures target 17 as the maximum class size and budgeted an average class size below 17.

Effect. 8 of the 57 Head Start classes did not meet the minimum of 17 students per class.

Questioned Costs. Not readily determinable

Recommendation. We recommend that the District implement policies and procedures sufficient to ensure average class size for the Head Start program meets the minimum average class size of 17 students.

View of Responsible Officials. To ensure the District meets the federal guidelines of 17 students per classroom, Detroit Public Schools Project Head Start has modified the license in locations where the room size can accommodate enrollment up to 20 students per classroom. This effort will allow for the District to serve the number of students as outlined in the contract. In addition, the Foundation for Early Learners monitors attendance through the District attendance system; MI Star. To further enhance the monitoring of attendance and enrollment, the Head Start Program is purchasing a child tracking system.





DETROIT PUBLIC SCHOOLS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2012

Finding 2011-SA-01 - Activities Allowed - Production Records

Child Nutrition Cluster (CFDA# 10.553, 10.555, & 10.559)

This finding was adequately resolved.

Finding 2011-SA-02 - Allowable Costs/Cost Principles - Timesheets

Title I, Part A Cluster (CFDA# 84.010 & 84.389); Title II, Part A (CFDA# 84.367); Head Start Cluster (CFDA# 93.600 & 93.708)

This finding was not adequately resolved. See finding 2012-SA-02 in the current year Schedule of Findings and Questioned Costs.

Finding 2011-SA-03 - Allowable Costs/Cost Principles - Severance and Unused Leave Pay

Title I, Part A Cluster (CFDA# 84.010 & 84.389); Special Education Cluster (CFDA# 84.027, 84.173, 84.391, & 84.392); Career & Technical Education (CFDA# 84.048); Title II, Part A (CFDA# 84.367); Head Start Cluster (CFDA# 93.600 & 93.708)

This finding was adequately resolved.

Finding 2011-SA-04 - Allowable Costs/Cost Principles - Matching - In-kind Contribution

Head Start Cluster (CFDA# 93.600 & 93.708)

This finding was not adequately resolved. See finding 2012-SA-04 in the current year Schedule of Findings and Questioned Costs.

Finding 2011-SA-05 - Cash Management - Improper Reimbursement Request

State Fiscal Stabilization Funds (CFDA# 84.394)

This finding was adequately resolved.

Finding 2011-SA-06 - Cash Management; Period of Availability - Improper Reimbursement

Head Start Cluster (CFDA# 93.600 & 93.708)

This finding was not adequately resolved. See finding 2012-SA-05 in the current year Schedule of Findings and Questioned Costs.

Finding 2011-SA-07 - Eligibility - Verified Students

Child Nutrition Cluster (CFDA# 10.553, 10.555, & 10.559)

This finding was adequately resolved.

DETROIT PUBLIC SCHOOLS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2012

Finding 2011-SA-08 - Eligibility - Proper Documentation of Income Verification

Head Start Cluster (CFDA# 93.600 & 93.708)

This finding was not adequately resolved. See finding 2012-SA-06 in the current year Schedule of Findings and Questioned Costs.

Finding 2011-SA-09 - Level of Effort - Maintenance of Effort

Special Education Cluster (CFDA# 84.027, 84.173, 84.391, & 84.392)

This finding was adequately resolved.

Finding 2011-SA-10 - Level of Effort - Supplement vs. Supplant

Title II, Part A (CFDA# 84.367)

This finding was adequately resolved.

Finding 2011-SA-11 - Earmarking - Enrollment of Children with Disabilities

Head Start Cluster (CFDA# 93.600 & 93.708)

This finding was not adequately resolved. See finding 2012-SA-07 in the current year Schedule of Findings and Questioned Costs.

Finding 2011-SA-12 - Procurement - Open Competition

Child Nutrition Cluster (CFDA# 10.553, 10.555, & 10.559); Special Education Cluster (CFDA# 84.027, 84.173, 84.391, & 84.392); Title II, Part A (CFDA# 84.367)

This finding was not adequately resolved. See finding 2012-SA-08 in the current year Schedule of Findings and Questioned Costs.

Finding 2011-SA-13 - Procurement - Properly Executed Contracts

Title I, Part A Cluster (CFDA# 84.010 & 84.389)

This finding was adequately resolved.

Finding 2011-SA-14 - Suspension and Debarment - Verification of Vendors

Child Nutrition Cluster (CFDA# 10.553, 10.555, & 10.559); Title I, Part A Cluster (CFDA# 84.010 & 84.389); Special Education Cluster (CFDA# 84.027, 84.173, 84.391, & 84.392); Career & Technical Education (CFDA# 84.048); Title II, Part A (CFDA# 84.367)

This finding was not adequately resolved. See finding 2012-SA-08 in the current year Schedule of Findings and Questioned Costs.

DETROIT PUBLIC SCHOOLS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2012

Finding 2011-SA-15 - 1512 Reports

Title I, Part A Cluster (CFDA# 84.389); Special Education Cluster (CFDA# 84.391, & 84.392)

This finding was not adequately resolved. See finding 2012-SA-10 in the current year Schedule of Findings and Questioned Costs.

Finding 2011-SA-16 - Reporting; Cash Management - Final DS-4044 Reports

Career & Technical Education (CFDA# 84.048); Title II, Part A (CFDA# 84.367)

This finding was adequately resolved.

Finding 2011-SA-17 - Special Tests and Provisions - Verification Timeliness and Benefit

Child Nutrition Cluster (CFDA# 10.553, 10.555, & 10.559)

This finding was adequately resolved.

Finding 2011-SA-18 - Special Tests and Provisions - Comparability Reports

Title I, Part A Cluster (CFDA# 84.010 & 84.389)

This finding was adequately resolved.

Finding 2011-SA-19 - Special Tests and Provisions - Average Class Size

Head Start Cluster (CFDA# 93.600 & 93.708)

This finding was not adequately resolved. See finding 2012-SA-12 in the current year Schedule of Findings and Questioned Costs.





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