

Detroit Public Schools Corrective Action Plan For the Single Audit for the Year Ended June 30, 2009



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DETROIT
PUBLIC
SCHOOLS



Detroit Public Schools
 Corrective Action Plan
 For the Single Audit for the Year Ended June 30, 2009

| <i>Findings and Recommendations</i> | <i>Corrective Action Plan</i> | <i>Responsible Department</i> | <i>Responsible Person</i> | <i>Planned Completion Date (TBD or Date)</i> |
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| <p>2009-01: Audit Adjustments - Capital Assets</p> <p>Finding Type: Material Weakness; Financial Reporting</p> <p><u>Condition:</u></p> <p>Capital assets sold or disposed during the year were not initially removed from the capital asset records. In addition, a school which suffered significant fire damage was not initially evaluated for impairment.</p> <p><u>Recommendation:</u></p> <p>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.</p> | <p>The Chief Financial Officer will do the following:</p> <ol style="list-style-type: none"> 1. Coordinate with the Office of Physical Plant Operations & Construction to establish a process of reporting asset changes to the Accounting Department. This process includes changes to asset values, dispositions and impairment of assets. 2. Communicate the new guidelines to the various departments. 3. Develop new policies and procedures which will provide consistent and repeatable processes for the evaluation of capital assets. <p>The DPS Real Estate Division will:</p> <ol style="list-style-type: none"> 4. Submit copies of Real Estate Sales Agreements to the Office of Cash Management. <p>The Office of Cash Management will:</p> <ol style="list-style-type: none"> 5. Obtain book values and sales information from the Principal Accountant, Capital Assets Unit. 6. Record any gains or losses in the financial management system PeopleSoft general ledger. | <p>Accounting Department</p> | <p>Ricardo Kisner/ Delores Brown</p> | <p>March 31, 2010</p> |

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| | <p>The Principal Accountant will:</p> <p>7. Reconcile the sales information with Cash Management Reports on a monthly basis.</p> <p>8. Make the necessary adjusting entries to the DPS Asset Management System as soon as supporting documents for sales/disposal are verified.</p> | | | |

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| <p>2009-02: Audit Adjustments – Payroll Liabilities</p> <p>Finding Type: Material Weakness; Financial Reporting</p> <p><u>Condition:</u></p> <p>Reconciliations for accrued stipends and bonus pay, compensated absences, and accrued retirements had either unresolved reconciling items or calculation errors that led to significant variances between the amounts initially reported in the trial balance and the amounts supported by the corrected reconciliations. Accordingly, significant audit adjustments were necessary to properly state the District’s financial statements.</p> <p><u>Recommendation:</u></p> <p>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 accruals to ensure that they are complete and accurate.</p> | <p>The Accounting Department will implement policies and procedures for quarterly closings. This will include a time table/schedule for reconciling account balances, accruals and prepaid expenses.</p> <p>The Office of the Chief Financial Officer will:</p> <ol style="list-style-type: none"> 1. Coordinate with the various departments, i.e. Payroll, Accounting and Human Resources to develop a timetable/schedule for providing documentation for stipends, bonus pay, compensated absences and accrued retirements. 2. Develop a Service Level Agreement (SLA) or a Memorandum of Understanding (MOU) stating: <ol style="list-style-type: none"> a. the type of documentation and the format to be used; b. timelines for submitting documentation and c. the responsible party. <p>The Chief Financial Officer will determine whether the district can hire an additional staff to perform reconciliation of accrued stipends, bonus pay, compensated absences and accrued retirements.</p> | Accounting Department | Ricardo Kisner/ Delores Brown | March 31, 2010 |

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| | <p>All reconciliations will be reviewed and approved by the Deputy Chief Financial Officer.</p> <p>The Program Supervisor will:</p> <ol style="list-style-type: none"> 1. Submit a quarterly report to the Deputy CFO, Payroll Director and the Human Resources Director for review. 2. Prepare accruals and adjustments with supporting documentation for the quarterly closings. | | | |

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| <p>2009-03: Budget (Repeat) Financial Reporting</p> <p>Finding Type: Material Noncompliance; Material Weakness</p> <p><u>Condition:</u></p> <p>Expenditures exceeded appropriations by material amounts as disclosed in the notes to the financial statements.</p> <p><u>Recommendation:</u></p> <p>We recommend that the District modify its policies and procedures to ensure that expenditures are not made prior to authorization in the budgetary process.</p> | <p>The Office of Management Budget (OMB) in conjunction with the Accounting Department and the Department of State and Federal Programs have implemented the following policies:</p> <ol style="list-style-type: none"> 1. The OMB polices require that no spending occur without budget authority and include procedures to ensure that the policy is followed. . 2. The District will enforce the zero tolerance control function in PeopleSoft. The zero tolerance control prohibits a user from entering a requisition which exceeds the available budget for expenditures which fall into the certain categories. The user will receive an error message informing them that the request has exceeded the budget tolerance and can not be processed. 3. Additions to the budget for expenditures can only be made through a budget transfer or the budget certification process. 4. Budget transfers require the approval of the Department Head and the Emergency Financial Manager, CFO or Deputy CFO, | <p>Office of Budget</p> | <p>Ricardo Kisner/ Angela Joyner</p> | <p>February 28, 2010</p> |

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| | <p>Management and Budget. Depending on the type of budget transfer requested, approval may also be required from the Department of State and Federal Programs.</p> <p>5. If no funds are available for transfer, the Emergency Financial Manager may approve an addition/adjustment to the budget through the Budget Certification Process</p> <p>6. All additions/adjustments made through the budget certification process which either affect the District's fund balance or the cumulatively change the budget in excess of 10% (in object range or functional category) will be amended subject to approval by the Michigan Department of Education.</p> <p>7. Beginning in FY2009-10, the Department of State and Federal Programs and grant project managers will perform quarterly reviews of all grant expenditures to ensure compliance with fund requirements.</p> <p>8. Expenditure transfers and reclassifications will be closely</p> | | | |

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| | <p>coordinated by the Department of State and Federal Programs, OMB, and Grant Accounting to ensure that prior to the transfer/reclassification, an approved budget transfer is processed to cover the transferred/re-classed expenditures or that the budget is appropriately amended and approved by the Michigan Department of Education.</p> <p>9. Budget will be reviewed monthly by OMB to ensure expenditures are in line with the approved budget and to project potential overages and facilitate the necessary budget adjustment (transfer or amendment).</p> <p>10. A valid purchase order can only be created by entering a requisition on an appropriately budgeted account. This will ensure that the budget is not exceeded and the District has the ability to pay vendor invoices. The District is notifying all vendors that no goods or services should be provided to Detroit Public Schools if they have not received a valid purchase order. Any vendor who provides goods or services without a valid purchase order is considered to have acted without the consent of</p> | | | |

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| | <p>the District and may not be compensated.</p> <p>11. To prevent unbudgeted and unallowable personnel expenditures, beginning in FY 2009-10 the District has adopted a position control policy. The position control policies and procedures are designed to ensure that the number of actual staff working is consistent with the number of authorized funded FTE.</p> | | | |

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| <p>2009-04: Individual Schools – Cash Policies and Procedures (Repeat)</p> <p>Finding Type: Significant Deficiency; Financial Reporting</p> <p><u>Condition:</u></p> <p>Each school maintains separate bank accounts to account for the activity of various student organizations. During our testing, we noted bank reconciliations were performed for all schools as of June 30, 2009; however, at some schools, reconciliations were not performed throughout the year, supporting documentation was not consistently maintained for receipts and disbursements, and receipts were not consistently deposited in a timely manner. In addition, we noted that receipts and disbursements for athletic activities, which represent governmental activity of the District, were commonly being accounted for in these accounts rather than in the Athletics Special Revenue fund.</p> <p><u>Recommendations:</u></p> <p>We recognize that the District has made significant improvements to its processes by performing bank reconciliations on all individual school cash accounts at year end. We recommend that the District further review and modify its policies and procedures and provide adequate training to assigned staff to ensure that receipts and disbursements are recorded timely and accurately (including the proper accounting for activities supporting the government’s own programs) and that bank reconciliations are consistently performed throughout the year.</p> | <p>The District will take the following actions to address this finding:</p> <ol style="list-style-type: none"> 1. Hire additional full-time accounting staff to be assigned to the schools on a permanent basis to ensure compliance with district policies and procedures on cash receipts and disbursements. This will ensure that receipts and disbursements are recorded timely and accurately. 2. The District has issued a Request For Proposal for local accounting firms to provide professional on-site financial staff to: <ol style="list-style-type: none"> a. assist in the preparation of monthly reports; b. provide training in basic accounting and DPS policies and procedures to school-based accounting staff; c. ensure that all schools adhere to DPS cash policies and procedures and submit their monthly reports. 3. Update the district’s School-Based Accounting Manual to incorporate the current reporting requirements and cash handling procedures. The manual will also include appropriate procedures for | <p>Finance Division/ Cash Management</p> | <p>Ricardo Kisner/ Delores Brown/ Almon Turner</p> | <p>February 28, 2010</p> |

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| | <p>accounting for activities supporting government programs.</p> <p>4 Train staff in school accounting responsibilities reporting requirements and account reconciliations. Special attention will be given to receipts and disbursements for governmental activities such as athletic activities</p> | | | |

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| <p>2009-05: Lease Contract Retention (Repeat)</p> <p>Finding Type: Significant Deficiency; Financial Reporting</p> <p>Condition:</p> <p>The District does not retain copies of lease agreements and as a result, an analysis cannot be performed to determine the proper accounting treatment of such transactions.</p> <p>Recommendation:</p> <p>Policies and procedures regarding contract management should be reviewed to ensure that documentation is required to be maintained for all contracts. In addition, an analysis should be performed on all lease agreements to ensure proper accounting and disclosure. The District has hired a Capital Assets Program Supervisor who will be responsible for maintaining and analyzing such lease agreements.</p> | <p>The Office of Contracting and Procurement will:</p> <ol style="list-style-type: none"> 1. Prepare an inventory of all leases and their associated vendors. 2. Obtain supporting documentation for all lease agreements i.e. contracts and addendums, financing options, warranties. <p>The Accounting Department will:</p> <ol style="list-style-type: none"> 1. Perform an analysis of all leases in accordance with the National Council on Governmental Accounting (NCGA) Statement No. 5 and GASB-13 to ensure proper accounting and disclosure. 2. Determine which account classification the each lease needs to be categorized as Capital or Operating Lease. 3. Reconcile inventory records to the General Ledger. | <p>Office of Contracting and Procurement/ Accounting Department</p> | <p>Ricardo Kisner/ Deborah A. Carter/ Delores Brown/Sonya McIntyre</p> | <p>January 31, 2010</p> |

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| <p>2009-06: Accounts Payable – Non-Standard Balances (Repeat)</p> <p>Finding Type: Significant Deficiency; Financial Reporting</p> <p><u>Condition:</u></p> <p>Although proper procedures were followed during fiscal 2009 to investigate and adjust any new non-standard postings in the accounts payable subsidiary ledger, appropriate procedures were not followed to remove the balance for non-standard amount from prior years.</p> <p><u>Recommendation:</u></p> <p>Proper procedures should be performed to remove improper non-standard balances from the accounts payable subsidiary ledger.</p> | <p>The Accounts Payable Department has submitted a Business User Request to the IT Department to perform an impact assessment to determine whether the credit balances in the accounts payable subsidiary ledger can be corrected. The Accounts Payable Department will not reverse the topside entry made in the general ledger in Fiscal Year 2009 to correct the subsidiary ledger until the IT Department resolves this issue.</p> <p>The Accounts Payable Department will reconcile the subsidiary ledger to the General Ledger at year-end to ensure that the subsidiary ledger agrees with the General Ledger and will investigate and correct any differences.</p> | <p>Accounting Department</p> | <p>Ricardo Kisner/ Delores Brown</p> | <p>February 28, 2010</p> |

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| <p>2009-07: Accounting for Loss Contingencies - Legal Reserves</p> <p>Finding Type: Significant Deficiency; Financial Reporting</p> <p><u>Condition:</u></p> <p>For several cases included on the analysis of outstanding litigation, significant events occurred subsequent to the initial calculation of the estimated liability recorded on the trial balance that provided evidence that affected the District's determination of probability. Also, additional cases came to the attention of the District subsequent to the calculation that were not included on the analysis but needed to be evaluated for probability.</p> <p><u>Recommendation:</u></p> <p>We recommend that policies and procedures be developed to ensure the litigation analysis and related financial statement accruals and disclosures are updated based on the review of subsequent changes to the status of cases.</p> | <p>The Office of General Counsel will coordinate with the Accounting Department and the Office of labor Relations to develop a process for litigation analysis. This will include the monthly reporting of pending litigation and the subsequent events affecting the legal reserves during the audit period.</p> <p>The Office of General Counsel will:</p> <ol style="list-style-type: none"> 1. Continue to prepare cumulative monthly reports of estimated legal liabilities for all pending cases. 2. Evaluate each case using the most current information available to determine the categorization. 3. Forward updated reports to the Accounting Department on a quarterly basis so that legal reserves can be adjusted. <p>The Office of Labor Relations will:</p> <ol style="list-style-type: none"> 4. Prepare cumulative reports of estimated legal liabilities of all pending cases on a monthly basis. 5. Evaluate each case using the most recent information available to determine the categorization. | <p>Office of General Counsel/ Accounting Department</p> | <p>Ricardo Kisner/ Phyllis Hurks-Hill/ Delores Brown</p> | <p>February 28, 2010</p> |

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| | <p>6. Forward updated reports to the Accounting Department on a quarterly basis.</p> <p>The Accounting Department will:</p> <p>7. Obtain monthly reports of all pending cases from the Office and General Counsel and the Office of Labor Relations.</p> <p>8. Analyze reports and process an entry for legal reserves in accordance with the policies and procedures.</p> <p>9. Review updated reports received from the Offices of General Counsel and Labor Relations and make the necessary adjusting entries.</p> <p>10. Communicate to the Offices of General Counsel and Labor Relations any changes to the legal reserves amount.</p> <p>11. Continue to analyze legal reserves after year-end close and throughout the audit period and inform the external auditors of any significant changes that may affect the legal and arbitration reserves.</p> | | | |

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| <p>2009-08: Allowable Costs – Production Records</p> <p>Finding Type: Significant Deficiency; Noncompliance</p> <p><u>Condition:</u></p> <p>The production records prepared by the District are not consistently accurate or complete as required.</p> <p><u>Recommendation:</u></p> <p>We recommend that the District put in place policies and procedures adequate to ensure proper production record completion.</p> | <p>The Executive Director, Office of Food Services will:</p> <ol style="list-style-type: none"> 1. Develop policies and procedures and specific guidelines for posting the “after-school snack” program. 2. Develop a quality control process to ensure that monthly claims are reviewed thoroughly prior to submission. 3. Conduct training on compliance and reporting requirements for all food services personnel. Training will include data classification, data entry requirements, cross-checking and supervisory reviews. 4. Perform periodic reviews of the “after-school snack” program. | <p>Office of Food Services</p> | <p>Terry Burgess/ Janet Tisdale</p> | <p>February 28, 2010</p> |

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| <p>2009-09: Allowable Costs/Cost Principles – 26 Pay Accrual (Repeat)</p> <p>Finding Type: Noncompliance</p> <p><u>Condition:</u></p> <p>The District implemented a new system for evaluating payroll costs throughout the year in order to properly reflect any reassignment of employee funding or job responsibilities during the year; however, not all employees reassigned were properly analyzed and adjusted</p> <p><u>Recommendation:</u></p> <p>We recommend the District modify their 26 payroll accrual procedures to ensure employees added to a funding source midyear are taken into consideration when calculating the 26 pay accrual.</p> | <p>The Accounting Department currently performs the 26 pay accrual manually. The Department submitted a Business User Request (BUR) in October 2008 to program a custom report in the PeopleSoft system. It also submitted a BUR on March 10, 2009 to configure PeopleSoft to identify funding source changes by employee.</p> <p>The District will ensure that the configuration of the PeopleSoft system is implemented by the IT Department.</p> | Accounting Department | Ricardo Kisner/ Delores Brown | Year-End Closing |

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| <p>2009-10: Allowable Costs/Cost Principles – Payroll Documentation (Repeat)</p> <p>Finding Type: Material Noncompliance</p> <p><u>Condition:</u></p> <p>Payroll costs charged to the Title I and Special Education Cluster major programs via journal entry were not supported with required semi-annual payroll certifications or personnel activity reports.</p> <p><u>Recommendation:</u></p> <p>We recommend the District modify its procedure to ensure expenditures charged to Federal programs through the journal entry process are properly documented before being charged to the program.</p> | <p>The Department of State and Federal Programs will perform the following:</p> <ol style="list-style-type: none"> 1. Implement policies and procedures requiring all adjusting journal entries to be initiated at the request of the grant Project Manager or Principal and forwarded to the Department of State and Federal Programs for approval. 2. Communicate to staff that all requests involving personnel should include Personnel Action Forms (4034) to correct job data for affected employees. 3. Review the consolidated application or other Grant Plan to ensure allowability of the proposed expenditures. 4. Ensure availability of funds, use of proper account string data and availability of valid Position Control Numbers (PCN's) for each journal voucher period. 5. Approve adjusting journal entry requests and forward to the Office of Accounting. <p>The Accounting Department will:</p> <ol style="list-style-type: none"> 6. Generate a detailed transaction/payroll report and | <p>Accounting Department/ Department of State and Federal Programs</p> | <p>Ricardo Kisner/ Delores Brown/ Kevin Clinton/Linda Blanton</p> | <p>October 31, 2009</p> |

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| | <p>budget summaries to identify affected personnel, analyze it to prevent multiple posting or identical transactions.</p> <p>7. Verify availability of funds. If the account possesses insufficient funds, the originator must supply new account numbers or prepare budget transfers to facilitate completion.</p> <p>8. Prepare journal entry and submit to Supervisor for approval. Journal entries will enumerate and quantify actual employee-level compensation activity to serve as supporting documentation.</p> <p>9. Process the approved journal entry in the financial system.</p> <p>10. Forward a list of the affected personnel to the Department of Human Resources, Time and Effort Unit so that the appropriate time and effort/payroll documentation can be collected. A copy of the list will be forwarded to the Department of State and Federal Programs. The list will include the effective beginning and end dates for employees.</p> <p>11. All journals entries will be filed in</p> | | | |

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| | the Accounting Department. | | | |

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| <p>2009-11: Allowable Costs/Cost Principles – Payroll Documentation (Repeat)</p> <p>Finding Type: Noncompliance</p> <p><u>Condition:</u></p> <p>Multiple payroll charges were not supported with required semi-annual payroll certification or personnel activity reports. In addition one of the certifications selected for testing was not signed by the employee or a supervisor.</p> <p><u>Recommendation:</u></p> <p>We recommend the District modify its procedure to ensure that expenditures charged to Federal programs are properly approved and documented before being expended.</p> | <p>The Department of Human Resources, Time & Effort Unit (T & E), will:</p> <ol style="list-style-type: none"> 1. Notify all employees who are paid by federal funds about the requirement for submission of time and effort certification. 2. Implement the following procedures for monthly activity reports. The employee will: <ol style="list-style-type: none"> a. itemize the tasks and cost objectives worked on during that month; b. assign percentages of time spent to each task; c. ensure that the total percentage of split effort equal 100 %. 3. Implement the following procedures for semi-annual certifications. The employees will: <ol style="list-style-type: none"> a. submit documents every January and July, if employee worked solely on a Federal award or cost objective. b. require that certification be signed by either the employee or a supervisor/official with first hand knowledge of the task performed. c. submit certification forms to the Department of Human | <p>Department of State and Federal Programs/ Human Resources</p> | <p>Kevin Clinton/ Inez de Jesus/ Linda Blanton</p> | <p>February 28, 2010</p> |

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| | <p style="text-align: center;">Resources, Time & Effort Unit.</p> <p>4. Follow-up to ensure that certification forms are submitted and signed as required by appropriate parties.</p> | | | |

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| <p>2009-12: Allowable Costs/Cost Principles – In-kind Contributions used for Match (Repeat)</p> <p>Finding Type: Noncompliance</p> <p><u>Condition:</u></p> <p>The Head Start program charged in-kind salary costs to the Head Start Disabilities program without proper OMB Circular A-87 documentation. In addition, the District charges space costs to the Head Start program utilizing a per square rate that was not supported by a valid cost study. Finally, the District utilized sign in/out sheets for the months of September and October as support for 15 minutes of “volunteer” time contributed by parents for dropping off and picking up their children which is unreasonable.</p> <p><u>Recommendation:</u></p> <p>The District should develop and implement internal control procedures to ensure that salary costs charged to Federal programs as in-kind contributions are properly documented in accordance with OMB Circular A-87. In addition, the District should implement procedures to ensure that space cost rates used to calculate in-kind costs are supported by a valid cost study. Finally, as of November, the District discontinued its practice of charging in-kind costs to the Head Start program for parents picking up and dropping off their children; therefore no corrective action for this issue is considered necessary.</p> | <p>The Department of State and Federal Programs will:</p> <ol style="list-style-type: none"> 1. Develop and implement control procedures to ensure that salary charges to Federal programs for in-kind contributions are reasonable and appropriately documented in accordance with OMB Circular A-87. 2. Incorporate these standards as part of their payroll documentation. 3. Ensure that charges to Federal awards for salaries and wages are based on actual payroll costs with appropriate supporting documentation. 4. Communicate with grantee and develop valid space costs rates for the calculation of in-kind costs. | <p>Department of State and Federal Programs/ Human Resources</p> | <p>Kevin Clinton/ Barbara Bennett/ Lisa Brown</p> | <p>December 18, 2009</p> |

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| <p>2009-13: Cash Management –Three Days Cash Need Calculation</p> <p>Finding Type: Noncompliance</p> <p><u>Condition:</u></p> <p>During our testing we noticed requests that included advanced that were greater than three days cash needs.</p> <p><u>Recommendation:</u></p> <p>No recommendation is considered necessary insofar as the State has discontinued allowing cash advanced to be requested after December 1, 2008 and the District appears to have implemented procedures to properly request funds on a reimbursement basis.</p> | <p>The District is currently is on a cost reimbursable basis, therefore no corrective action plan is needed.</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> |

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|--|---|--------------------------------|---|--|
| <p>2009-14: Eligibility – Proper Documentation of Income Verification</p> <p>Finding Type: Material Noncompliance; Material Weakness</p> <p><u>Condition:</u></p> <p>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.</p> <p><u>Recommendation:</u></p> <p>We recommend the District implement a review process to ensure that the child records include the required statement and that the income verification document examined is one of those listed as allowable in the OMB Circular A-133 compliance supplement.</p> | <p>The Executive Director for Food Services has adapted the “twelve step process” set up by the Department of Education for the verification process. This process includes :</p> <ol style="list-style-type: none"> a. running a Basic Sampling based on the criteria provided by MDE; b. separating “error-prone” applications from applications which meet the criteria; c. mailing verification letters to households which are selected; d. informing Principals of the students being verified; e. reviewing respondents and making a determination of benefit status based on household information; f. adjusting benefits based on the determination. <p>The Executive Director of Food Services will:</p> <ol style="list-style-type: none"> 1. Develop procedures which will include the examination of income tax returns, W-2 forms, pay stubs, income verification letters from employers and documentation for public assistance for determining income eligibility for the program. 2. Develop a checklist which would | <p>Office of Food Services</p> | <p>Terry Burgess/ Janet Tisdale</p> | <p>February 28, 2010</p> |

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|--|---|--------------------------------------|----------------------------------|---|
| | <p>include a list of documents to be provided for income eligibility determination. The type of document examined will be noted on the form.</p> <p>3. Adjust benefit status of all non-respondents.</p> <p>4. Implement system controls to flag the benefit status of verified students who resubmit new applications and also configure the PS 1000 system to require administrative approval for all benefit status changes. These changes will prevent the circumvention of the verification process.</p> | | | |

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| <p>2009-15: Equipment and Real Property Management - Physical Inventory (Repeat)</p> <p>Finding Type: Noncompliance; Significant Deficiency</p> <p><u>Condition:</u></p> <p>As of June 30, 2009 a physical inventory had not been taken for equipment during the past two years; however, subsequent to year end the District third party provider did complete a physical inventory of capital assets including those funded by Federal programs.</p> <p><u>Recommendation:</u></p> <p>No additional corrective action is determined necessary, insofar as subsequent to year end we observed evidence that a physical inventory had been performed.</p> | <p>The District performed a physical inventory of capital assets including those funded by Federal programs subsequent to fiscal 2009 year-end. No corrective action plan is needed.</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> |

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|--|---|--|---|--|
| <p>2009-16: Earmarking – Enrollment of Children with Disabilities (Repeat)</p> <p>Finding Type: Noncompliance: Significant Deficiency</p> <p><u>Condition:</u></p> <p>The District did not attain 10% enrollment of children with disabilities within 90 days of the beginning of classes.</p> <p><u>Recommendation:</u></p> <p>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.</p> | <p>The Department of Foundations for Early Learning will:</p> <ol style="list-style-type: none"> 1. Deploy the newly-hired disability coordinator/psychologist to assist during school enrollment period to diagnose children with disabilities. 2. Hold weekly meetings during the 90-day enrollment period with the interdisciplinary team to review and ensure that children with disabilities have been identified and properly documented. This will ensure compliance with the 10% enrollment requirements. 3. Ensure that the existing student enrollment policies and procedures are strictly followed to guarantee compliance with the 10% enrollment requirements. | <p>Department of State and Federal Programs/ Human Resources</p> | <p>Kevin Clinton/ Barbara Bennett/ Lisa Brown</p> | <p>December 18, 2009</p> |

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| <p>2009-17: Period of Availability - Payroll and Voucher Transactions (Repeat)</p> <p>Finding Type: Noncompliance</p> <p><u>Condition:</u></p> <p>During our audit procedures it came to our attention that various payroll and voucher transactions were taking place outside of the correct period of availability.</p> <p><u>Recommendation:</u></p> <p>We recommend the District modify its procedures to ensure that expenditures are charged to the period in which the expenditures are obligated.</p> | <p>The Department of State and Federal Programs, for Workshop Vouchers, will:</p> <ol style="list-style-type: none"> 1. Require that workshop payment requests be submitted within 30 days of the workshop itself in accordance with the District's current policies and procedures. 2. Create a report to indicate which responsible managers are not meeting the deadlines so that lack of performance will be included in each employee's performance evaluations. 3. Communicate to individuals responsible for requesting workshop payments when the deadline for the grant is approaching. Managers will be responsible for ensuring that no payroll requests are submitted after the deadline. 4. Inform the Payroll Office of cut off deadlines for each grant. Payroll requests received after the cut off deadlines will not be paid out of the grant and if the relevant conditions are met, would be paid for out of the general fund. 5. Update workshop policies and | <p>Department of State and Federal Programs/ Accounting Department</p> | <p>Kevin Clinton/ Joseph Flint/ Ricardo Kisner/ Delores Brown</p> | <p>February 28, 2010</p> |

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| | <p>procedures to include the items outlined in this Corrective Action Plan. Delinquent or corrections to Workshop payrolls submitted after the period of availability of the grant will be approved by the compliance administrators before processing. All payrolls submitted after grant end date will be processed using general funds.</p> <p>For Voucher Payments against Purchase Orders, the District is required to ensure that grant funds are obligated within the period of availability of the grant. In order to ensure that this requirement is met, the District will implement the following steps:</p> <p>6. Enforce the deadline for project managers to ensure that all requisitions are entered to provide sufficient time to administer the competitive contracting and procurement process to create a purchase order. This deadline will be enforced as April 30 for Title I and other grants ending September 30 (with the exception of Section 31a grants which are due by December 31 and Career and Technical Education which is due by June 30). Exceptions shall be granted with the authorization of</p> | | | |

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| | <p>the Executive Director of the Department of State and Federal Programs.</p> <p>7. The Department of State and Federal Programs will notify the Office of Contracting and Procurement and the Accounting Department of grants as the end of the period of availability approaches.</p> <p>8. The Office of Contracting and Procurement will enforce its policy to deny all requisitions (and therefore will not create Purchase Orders) for all grant funded requisitions whose grant periods of availability have ended.</p> <p>9. The Accounting Department will review all voucher expenses processed after the end of the period of availability to ensure that these expenditures are associated with a valid obligation. Expenses will not be incurred against obligations more than 60 days after the end of the period for the grant.</p> <p>The Accounting Department will deactivate purchase orders 60 days after the end of the period of availability of the grant.</p> | | | |

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| <p>2009-18: Procurement - Open Competition (Repeat)</p> <p>Finding Type: Noncompliance</p> <p><u>Condition:</u></p> <p>The District was not following the federal requirements for open competition as they related to service contracts in excess of \$100,000.</p> <p><u>Recommendation:</u></p> <p>We recommend that the District provide adequate training to all departments to ensure that requirements relating to Federal awards are known and procedures created to ensure compliance.</p> | <p>The Office of Contracting and Procurement will provide training to its staff on the federal requirements for open competition.</p> | <p>Office of Contracting and Procurement</p> | <p>Ricardo Kisner/ Deborah A. Carter</p> | <p>January 31, 2010</p> |

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| <p>2009-19: Suspension and Debarment – Verification of Vendors (Repeat)</p> <p>Finding Type: Noncompliance</p> <p><u>Condition:</u></p> <p>During the year the District implemented procedures to ensure that any vendor with which the District entered into a covered transaction was verified as neither suspended and debarred; however, these procedures were not implemented until January 2009 and the District did not review covered transactions entered into before implementation of these procedures to ensure that verification was completed. During our procedures, we verified that none of the vendors selected for testing were listed by the Federal government as suspended or debarred.</p> <p><u>Recommendation:</u></p> <p>No additional corrective action for new covered transactions is considered necessary insofar as subsequent to January 2009 the District’s procedures appear to be properly designed and effective in ensuring compliance with this requirement; however, 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.</p> | <p>The Office of Contracting and Procurement will implement a process to periodically verify that all vendors providing goods and services for the District have not been suspended or debarred by the Federal government.</p> <p>The Office of Contracting and Procurement will review all active contracts which were let before January 2009 to ensure that they are in compliance with this requirement.</p> | <p>Office of Contracting and Procurement</p> | <p>Ricardo Kisner/ Deborah A. Carter</p> | <p>January 31, 2010</p> |

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| <p>2009-20: Reporting – Free and Reduced Meal Count Reporting</p> <p>Finding Type: Noncompliance; Significant Deficiency</p> <p><u>Condition:</u></p> <p>During our audit procedures we noted that the District’s point of sale (POS) system did not support the number of meals reported to the Michigan Department of Education.</p> <p><u>Recommendation:</u></p> <p>We recommend that the District evaluate its review and approval procedures to ensure that the number of meals reported to the state is accurately supported by the Point of Sale (POS) system.</p> | <p>The Executive Director of Food Services has:</p> <ol style="list-style-type: none"> 1. Communicated to the area managers on data entry deadlines. The directive includes information on additions, deletions and modifications to meal information and the submission of reimbursement claims. 2. Formulated a plan to implement system controls. The plan includes coordinating with ISD Education to implement input controls on the POS system. The POS system will be configured with mandatory, pre-formatted and logical fields and also controls to restrict additions, deletions and modification of historical data after claims are filed. | <p>Office of Food Services</p> | <p>Terry Burgess/ Janet Tisdale</p> | <p>February 28, 2010</p> |

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| <p>2009-21: Reporting – Submission of Final Reports (DS-4044) (Repeat)</p> <p>Finding Type: Noncompliance; Significant Deficiency</p> <p><u>Condition:</u></p> <p>Upon review of the final expenditure reports for Title I, Career & Technical Education, 21st Century and Reading First it was determined that they were not submitted until December 18, 2008, September 22, 2008, December 4, 2008, and December 2, 2008, respectively.</p> <p><u>Recommendation:</u></p> <p>We recommend that the District initiate preparation, review and approval processes for the final reports early enough to allow for timely submission of the reports.</p> | <p>The Accounting Department has submitted the reports for Fiscal Year 2010 on time. The Accounting Department will continue to:</p> <ol style="list-style-type: none"> 1. Send communication to all stakeholders reminding them of the due dates for final expenditure reports and deadlines for the related grant close-out activities to facilitate timely preparation, review and submission of final expenditure reports. 2. Prepare and forward the reports to the Department of State and Federal Programs for review and approval thirty (30) days prior to the due date. The report should be returned to the Accounting Department within 21 days. 3. Submit the reports three days prior to the due date. | Accounting Department | Ricardo Kisner/ Delores Brown | January 31, 2010 |

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| <p>2009-22: Special Test and Provisions – Verification Timeliness and benefit Status</p> <p>Finding Type: Material Noncompliance; Material Weakness</p> <p><u>Condition:</u></p> <p>The Local Education Agency Verification Summary Report for the school year under audit was not submitted until March 27, 2009. In addition, changes in benefits due to verification did not take place until approximately March 20, 2009. Finally, some students who had their free and reduced status removed during the verification process were reinstated after filling out a new application rather than providing verification of income, effectively circumventing the verification process.</p> <p><u>Recommendation:</u></p> <p>We recommend that the District evaluate its verification procedures to ensure that the process is completed timely as required by OMB Circular A-133 and the Michigan Department of Education, and ensure that new applications are not used to circumvent the verification process.</p> | <p>The Executive Director for the Office of Food Services has done the following since the year-end audit:</p> <ol style="list-style-type: none"> 1. Appointed a Program Associate who is responsible for ensuring the timely reporting and submission of the Local Education Agency Summary Report required by the Michigan Department of Education. 2. Adapted the “twelve step process” set by the Michigan Department of Education for the verification process. <p>The Program Associate will:</p> <ol style="list-style-type: none"> 1. coordinate with ISD Education, the software provider of the Benefit system, to make benefit status changes. 2. Ensure that deadlines prescribed by MDE are met. | <p>Office of Food services</p> | <p>Terry Burgess/ Janet Tisdale</p> | <p>February 28, 2010</p> |

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| <p>2009-23: Special Tests and Provisions – Schools Identified for Improvement (Repeat)</p> <p>Finding Type: Noncompliance; Significant Deficiency</p> <p><u>Condition:</u></p> <p>For 2008 grant year, certain Title I, Part A eligible schools identified for improvement did not spend 10% of their funding on professional development as required.</p> <p><u>Recommendation:</u></p> <p>We recommend that the District implement policies and procedures sufficient to ensure that 10% of the actual Title I, Part A expenditures by school is spent on professional development, as required.</p> | <p>The Director of the Title I program will:</p> <ol style="list-style-type: none"> 1. Communicate to all schools selected for the program that as a requirement each of the selected schools must spend 10% of their Title I funds on professional development. 2. Instruct Regional Superintendents to require schools to document and report professional development activity to the Director of Title I Compliance at least thirty (30) days before the end of the school year. 3. Monitor the selected schools to ensure they are in compliance with the requirements. 4. Mandate that a professional development calendar for each school be maintained at the school for review by the monitoring team. 5. The Department of State and Federal Programs will submit a request to the CFO to set up an account sub code to track professional development expenditures. 6. The Title I Field Services | <p>Department of State and Federal Programs</p> | <p>Kevin Clinton/ Joseph Flint</p> | <p>February 28, 2010</p> |

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| | <p>Monitors will monitor and ensure implementation of professional development activities.</p> <p>7. The Title I Fiscal Administrator will generate monthly expenditure reports for schools required to spend 10% of their Title I funds on Professional Development (PD) to monitor PD activity.</p> | | | |

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| <p>2009-24: Special Tests and Provisions – Highly Qualified Staff</p> <p>Finding Type: Noncompliance; Significant Deficiency</p> <p><u>Condition:</u></p> <p>Some of the paraprofessional staff working in a program supported by Title I, Part A funds did not have adequate supporting documentation of high qualification.</p> <p><u>Recommendation:</u></p> <p>We recommend the District implement procedures to ensure that all employees, including those hired before the effective date of this requirement, that are charged to programs supported by Title I, Part A, have documentation in their personnel file to support that they are Highly Qualified.</p> | <p>The District will meet with the State to determine the actions necessary to comply with the program requirements.</p> | <p>Department of State and Federal Programs/ Human Resources</p> | <p>Kevin Clinton/Linda Blanton/Inez de Jesus/Barbara Moten</p> | <p>April 30, 2010</p> |

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| <p>2009-25: Special Tests and Provisions – Individual Education Plan (Repeat)</p> <p>Finding Type: Material Noncompliance; Material Weakness</p> <p><u>Condition:</u></p> <p>Examination of the District’s internally maintained documentation of IEPs and screenings on file indicates that the District did not comply with this contract provision.</p> <p><u>Recommendation:</u></p> <p>The District should implement changes to existing control procedures to ensure that IEPs are developed and utilized for each child that is professionally diagnosed with disabilities. Also procedures should be implemented to ensure that children suspected of having a disabling condition receive a screening and assessment as required.</p> | <p>The Department of Foundations for Early Learners will:</p> <ol style="list-style-type: none"> 1. Deploy the newly hired disability coordinator/psychologist to help during school enrollment period to diagnose children with disabilities. 2. Create a checklist of all documents that are to be maintained in a student file, including the IEP for each child professionally diagnosed with disabilities, among other documents. 3. Review each child’s documentation using checklist to ensure that all appropriate documentation have been filed. 4. Coordinate with the Office of specialized Student Services to ensure that each child professionally diagnosed with disabilities has a completed IEP on file. | <p>Department of State and Federal Programs/ Human Resources</p> | <p>Kevin Clinton/ Barbara Bennett/Lisa Brown</p> | <p>December 18, 2009</p> |

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| <p>2009-26: Special Tests and Provisions – Schoolwide Programs (Repeat)</p> <p>Finding Type: Noncompliance; Significant Deficiency</p> <p><u>Condition:</u></p> <p>Of the 60 schoolwide programs selected for testing, 3 of the programs did not have a plan that included all five required components. In addition, of the 60 schoolwide programs selected, 7 programs did not have an annual evaluation as required.</p> <p><u>Recommendation:</u></p> <p>We recommend that the District implement procedures to ensure that all schoolwide plans contain the required components and ensure that annual evaluations are performed and documented for each schoolwide program.</p> | <p>The Office of School Improvement will:</p> <ol style="list-style-type: none"> 1. Include the required components as an addendum to the schoolwide plan for the 2009-2010 school year. 2. Automate the annual evaluation process for the 2010-2011 school year. <p>The Office of Research and Analysis (OREA) will:</p> <ol style="list-style-type: none"> 3. Review the online submission and ensure that surveys have been completed for all schools. 4. Follow-up with schools that have not completed their survey evaluations and ensure timely submission. <p>The Office of Research, Evaluation and Assessment will:</p> <ol style="list-style-type: none"> 5. Distribute Title I Schoolwide Programs Surveys and activate on MY DPS in February with the District Objective Reports surveys for data input and submission. Both surveys are ready and available for on-line completion. | <p>Department of State and Federal Programs/ Human Resources</p> | <p>Kevin Clinton Joseph Flint/Linda Blanton/ Barbara Bennett Karen Ridgeway</p> | <p>April 30, 2010</p> |