

Detroit Public Schools

**Federal Awards
Supplemental Information
June 30, 2003**

Detroit Public Schools

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Independent Auditor's Report

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

We have audited the basic financial statements of Detroit Public Schools for the year ended June 30, 2003 and have issued our report thereon dated November 20, 2003. Those basic financial statements are the responsibility of the management of Detroit Public Schools. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Plante & Moran, PLLC

November 20, 2003

Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

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

We have audited the financial statements of Detroit Public Schools as of and for the year ended June 30, 2003 and have issued our report thereon dated November 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Detroit Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Detroit Public Schools in a separate letter dated November 20, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Detroit Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Detroit Public Schools' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item findings 03-A through 03-P.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 03-A, 03-B, 03-C, 03-D, 03-E, 03-F, 03-G, 03-H, 03-I, 03-J, and 03-O to be material weaknesses.

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

Plante & Moran, PLLC

November 20, 2003

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

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

Compliance

We have audited the compliance of Detroit Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The major federal programs of Detroit Public Schools are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Detroit Public Schools' management. Our responsibility is to express an opinion on Detroit Public Schools' compliance based on our audit.

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

As described in items 03-6 and 03-7 in the accompanying schedule of findings and questioned costs, Detroit Public Schools did not comply with requirements regarding eligibility that are applicable to the Child Nutrition Program. Compliance with such requirements is necessary, in our opinion, for Detroit Public Schools to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Detroit Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

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

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, which are described in the accompanying schedule of findings and questioned costs as item Findings 03-1, 03-2, 03-4, 03-5, 03-9, 03-10, 03-11, 03-12, 03-13, 03-14, 03-15, 03-16, 03-17, 03-18, and 03-19.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Detroit Public Schools' ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item Findings 03-1, 03-3, 03-7, and 03-8.

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

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

Plante & Moran, PLLC

November 20, 2003

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Amount	(Memo Only) Prior Year Expenditures
Clusters:			
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:			
National School Breakfast Program:			
Project number 011970	10.553	\$ 4,609,580	\$ 1,405,231
Project number 021970		8,747,100	8,747,100
Project number 031970		6,132,325	-
Total National School Breakfast Program		19,489,005	10,152,331
National School Lunch Program:			
Project number 021950	10.555	2,477,389	2,477,389
Project number 021960		20,351,187	20,351,187
Project number 021980		600	-
Project number 031950		2,035,062	-
Project number 031960		19,472,697	-
Project number 031980		53,413	-
Total National School Lunch Program		44,390,348	22,828,576
Total Child Nutrition Cluster		63,879,353	32,980,907
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County ISD:			
IDEA:			
Education of the handicapped 00-01 - Project number not available	84.027	10,026,002	995,818
Education of the handicapped 01-02 - Project number not available		14,151,746	11,386,207
Education of the handicapped 01-02 - Project number not available		18,096,263	-
WCRESA Idea Center Expansion 00-01 - Project number not available		3,077,353	2,332,325
WCRESA Idea Center Expansion 01-02 - Project number not available		2,246,490	3,246,490
WCRESA Idea Center Expansion 02-03 - Project number not available		2,913,295	-
Assistive Technology Training and Information Center Grant - Project number not available		365,000	-
Assistive Technology Training and Information Center Grant - Project number not available		355,000	-
Assistive Technology Training and Information Center Grant - Project number not available		355,000	231,375
Assistive Technology Training and Information Center Grant - Project number not available		400,083	400,083

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003**

Accrued (Deferred) Revenue at July 1, 2002	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2003
\$ 144,885	\$ (144,885)	\$ -	\$ -	\$ -
490,936	-	1,516,378	1,025,442	-
-	-	6,132,325	7,730,536	1,598,211
635,821	(144,885)	7,648,703	8,755,978	1,598,211
-	-	496,348	496,348	-
1,280,410	-	3,775,400	2,494,990	-
-	-	600	600	-
-	-	2,035,062	2,035,062	-
-	-	15,147,119	19,383,427	4,236,308
-	-	23,735	36,413	12,678
1,280,410	-	21,478,264	24,446,840	4,248,986
1,916,231	(144,885)	29,126,967	33,202,818	5,847,197
1,026,002	-	1,026,002	-	-
448,707	-	2,991,481	2,357,386	(185,388)
-	-	16,287,000	12,112,664	(4,174,336)
473,750	-	577,352	103,602	-
691,490	-	691,490	-	-
-	-	2,622,000	3,088,584	466,584
315,451	(315,451)	-	-	-
(60,348)	60,348	-	-	-
(1,810)	1,810	-	-	-
160,083	89	160,172	-	-

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Amount	(Memo Only) Prior Year Expenditures
Clusters (Continued):			
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County ISD (Continued):			
IDEA (Continued):			
Assistive Technology Training and Information Center Grant - Project number not available		\$ 425,000	\$ -
Barsamian Assessment Center - Capacity Building Center - Project number not available		375,000	-
Barsamian Assessment Center - Capacity Building Center - Project number not available		258,313	206,056
Barsamian Assessment Center - Capacity Building Center - Project number not available		375,475	-
Operation Achievement - Project number not available		484,387	-
Total IDEA		53,904,407	18,798,354
Preschool Incentive:	84.173		
Preschool Incentive 00-01 - Project number not available		913,757	528,762
Preschool Incentive 00-01 - Project number not available		1,073,122	1,065,167
Preschool Incentive 02-03 - Project number not available		909,851	277,667
Infant Interagency - Project number not available		119,555	55,287
Infant Interagency - Project number not available		87,938	-
Total Preschool Incentive		3,104,223	1,926,883
Total Special Education Cluster		57,008,630	20,725,237
Employment Services Cluster - U.S. Department of Labor - Passed through the Detroit Employment and Training Center - Employment Services Cluster:			
	17.207		
Project number 75665-00-01		753,247	455,413
Project number 2536987-01-02		1,872,102	1,150,173
Total Employment Services Cluster		2,625,349	1,605,586
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through the Wayne County ISD - Medical Assistance Program:			
	93.778		
Medicaid Outreach 01-02		1,366,517	-
Medicaid Outreach 02-03		888,441	-
Pupil Transportation		-	-
Total Medicaid Cluster		2,254,958	-

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2003

Accrued (Deferred) Revenue at July 1, 2002	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2003
\$ -	\$ -	\$ 338,259	\$ 338,259	\$ -
(34,284)	34,284	-	-	-
56,056	-	106,002	49,946	-
-	-	209,302	208,550	(752)
<u>476,895</u>	<u>(476,895)</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,551,992	(695,815)	25,009,060	18,258,991	(3,893,892)
1,325	(1,325)	96,747	96,747	-
277,667	-	285,622	7,955	-
-	-	818,900	1,074,957	256,057
35,234	-	87,719	124,226	71,741
<u>-</u>	<u>-</u>	<u>43,970</u>	<u>61,926</u>	<u>17,956</u>
<u>314,226</u>	<u>(1,325)</u>	<u>1,332,958</u>	<u>1,365,811</u>	<u>345,754</u>
3,866,218	(697,140)	26,342,018	19,624,802	(3,548,138)
34,090	(34,090)	-	-	-
<u>1,150,173</u>	<u>-</u>	<u>1,322,619</u>	<u>172,446</u>	<u>-</u>
1,184,263	(34,090)	1,322,619	172,446	-
-	-	1,366,517	1,366,517	-
-	-	582,696	888,441	305,745
<u>-</u>	<u>-</u>	<u>912,959</u>	<u>912,959</u>	<u>-</u>
-	-	2,862,172	3,167,917	305,745

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Amount	(Memo Only) Prior Year Expenditures
Other Federal Awards:			
U.S. Department of Education - Direct programs:	84.060		
Indian Education:			
Project number S060A40756-94		\$ 89,600	\$ 57,518
Project number S060A40756-94		<u>89,122</u>	<u>-</u>
Total Indian Education		178,722	57,518
Carol W. White Physical	84.215F	386,670	-
Linking Kids to Learning	84.Unk	376,000	-
Transition to Teaching Best	84.Unk	363,666	-
U.S. Detroit Pride - Project number not available	84.287B	536,785	481,764
U.S. Detroit Pride - Project number not available		164,700	-
21st Century Comm Learn Center 032110 21st02078	84.287B	1,312,500	-
21st Century Comm Learn Center 0320st02079		1,312,500	-
Southeastern Village Community Learning Centers Program	84.287B	1,400,000	-
Southeastern Village Community Learning Centers Program		1,400,000	-
New Century After-school Community Learning Centers Program	84.287B	1,050,080	-
New Century After-school Community Learning Centers Program		1,050,080	-
New Century After-school Community Learning Centers Program		<u>1,050,080</u>	<u>-</u>
Total		10,403,061	481,764
U.S. Department of Health and Human Services - Direct Programs -			
U.S. Project HRRTEP:	93.938		
Project number U87/CCU5089208		256,245	402,520
Project number not available		429,693	257,200
Project number not available		<u>403,358</u>	<u>187,486</u>
Total U.S. Project HRRTEP		1,089,296	847,206
U.S. Department of Justice - Direct programs - COPS:			
Project number 96ULWX005-COPS		750,000	-
Project number 96ULWX005-COPS II		<u>710,280</u>	<u>-</u>
Total COPS		1,460,280	-
The National Science Foundation - Direct program - Detroit Urban			
Systemic Initiative - Project number ESR-9908234	47.046	<u>11,500,000</u>	<u>3,304,580</u>
Total noncluster direct programs		24,631,359	4,691,068

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2003

Accrued (Deferred) Revenue at July 1, 2002	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2003
\$ 12,784	\$ -	\$ 23,136	\$ 10,352	\$ -
-	-	54,898	61,380	6,482
12,784	-	78,034	71,732	6,482
-	-	50,000	32,527	(17,473)
-	-	-	21,450	21,450
-	-	-	235,000	235,000
-	-	166,034	166,034	-
-	-	-	262,924	262,924
-	-	148,604	216,074	67,470
-	-	-	175,669	175,669
1,036,631	-	1,291,611	216,827	(38,153)
-	-	-	1,310,946	1,310,946
223,228	-	223,228	-	-
-	-	-	204,310	204,310
-	-	532,409	981,086	448,677
1,259,859	-	2,411,886	3,822,847	2,670,820
282,384	-	282,384	-	-
247,200	-	121,737	-	125,463
187,486	-	568,437	380,951	-
717,070	-	972,558	380,951	125,463
292,831	-	292,831	-	-
10,366	-	10,366	-	-
303,197	-	303,197	-	-
500,230	-	2,588,945	2,420,435	331,720
2,793,140	-	6,354,620	6,695,965	3,134,485

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Amount	(Memo Only) Prior Year Expenditures
Other Federal Awards (Continued):			
U.S. Department of Education:			
Passed through the Michigan Department of Education:			
Education Consolidation and Improvement Act:	84.010		
Title I:			
Chapter I regular (Title I Part A) 00-01 - Project number 001530 9900		\$ 79,825,239	\$ -
Chapter I regular (Title I Part A) 00-01 - Project number 0011530 0001		97,108,477	27,794,460
Chapter I regular (Title I Part A) 01-02 - Project number 0021530 0102		97,432,640	57,768,241
Chapter I regular (Title I Part A) 02-03 - Project number 0031530 0203		121,681,368	57,015,623
Chapter I Carryover (Title I Part A) 01-02 - Project number 0011530 0102		11,681,799	11,681,799
Title I Part D 00-01 - Project number 011700 0102		597,886	82,812
Title I Part D 01-02 - Project number 0211700 0102		511,088	418,758
Title I Part D 01-02 - Project number 031700 0203		413,688	-
Total Title I		409,252,185	154,761,693
Title I Capital Expense - Project number 011540 0102	84.216	78,446	53,226
Title I Accountability Grants - Project number 011500 0102	84.348	1,950,000	314,716
Migrant Education:	84.011		
Project number 011890 0001		182,545	182,545
Project number 01830 2000		88,932	-
Project number 021830 2002		154,366	27,426
Project number unknown		154,366	-
Project number 011890 0102		292,810	279,104
Total Migrant Education		873,019	489,075
Title V (Formerly Title VI):	84.298		
Project number 25716		398,717	-
Project number 010250 0102		581,262	581,262
Project number 020250 0203		508,154	-
Project number 020250 0102		3,005,578	1,501,802
Project number 023540 2724		2,937,076	-
Total Title V		7,430,787	2,083,064

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2003

Accrued (Deferred) Revenue at July 1, 2002	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2003
\$ -	\$ (198,955)	\$ (198,955)	\$ -	\$ -
-	(274,301)	(274,301)	-	-
5,037,629	-	44,702,028	39,664,399	-
-	-	56,983,611	72,137,665	15,154,054
5,317,111	-	5,317,111	-	-
-	-	90,359	90,359	-
69,351	-	118,075	48,724	-
-	-	288,413	414,791	126,378
10,424,091	(473,256)	107,026,341	112,355,938	15,280,432
1,945	1,254	27,165	23,966	-
166,188	-	1,799,100	1,632,912	-
(1,315)	-	(1,315)	-	-
-	(206)	(206)	-	-
27,426	-	154,366	126,940	-
-	-	-	97,875	97,875
172,058	(98,792)	185,764	231,927	119,429
198,169	(98,998)	338,609	456,742	217,304
(26,610)	-	-	-	(26,610)
508,744	-	508,744	-	-
-	-	-	508,154	508,154
(63,185)	-	932,437	995,622	-
-	-	-	2,658,633	2,658,633
418,949	-	1,441,181	4,162,409	3,140,177

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Amount	(Memo Only) Prior Year Expenditures
Other Federal Awards (Continued):			
U.S. Department of Education (Continued):			
Passed through the Michigan Department of Education (Continued):			
Eisenhower Formula:	84.281		
Project number 0102700102		\$ 31,488	\$ -
Project number 0202700102		<u>2,266,203</u>	<u>1,590,551</u>
Total Eisenhower Formula		2,297,691	1,590,551
Safe and Drug-free Schools and Communities:	84.186		
Project number 022860DRUG1347		739,150	521,301
Project number 002860DRUG1500C		37,450	-
Project number 012860DRUG101501015C		659,554	151,694
Project number 012850dsf1079c		42,021	-
Project number 0328600203		2,539,130	-
Project number DSF01436C		111,168	-
Project number DRUG601347C		209,378	-
Project number 0258850 DSF01436		<u>343,992</u>	<u>226,387</u>
Total Safe and Drug-free Schools and Communities		4,681,843	899,382
Homeless Children and Youths:	84.196		
Project number 02320 0001C		12,971	-
Project number 022320 0209		72,595	72,595
Project number 032320 0203		<u>200,000</u>	<u>-</u>
Total Homeless Children and Youths		285,566	72,595
Emergency Immigration Education Assistance:	84.162		
Project number 022560 0203		202,240	-
Project number 022560 0102		<u>202,240</u>	<u>129,975</u>
Total Emergency Immigration Education Assistance		404,480	129,975
Adult Basic Education:	84.002		
Project number 021190310333		29,589	-
Project number 0211202003500392		81,000	-
Project number 021190210332		56,925	56,925
Project number 021130210332		1,626,300	1,626,300
Project number 01112050039		10,568	-
Project number 031130310333		<u>1,881,800</u>	<u>-</u>
Total Adult Basic Education		3,686,182	1,683,225

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2003

Accrued (Deferred) Revenue at July 1, 2002	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2003
\$ -	\$ -	\$ 31,488	\$ 31,488	\$ -
<u>1,085,676</u>	<u>-</u>	<u>1,761,328</u>	<u>675,652</u>	<u>-</u>
1,085,676	-	1,792,816	707,140	-
116,581	-	125,052	8,471	-
(373)	-	-	-	(373)
24,797	-	164,181	129,853	(9,531)
-	-	42,021	42,021	-
-	-	978,253	1,033,615	55,362
-	-	-	50,623	50,623
-	-	-	129,853	129,853
<u>73,266</u>	<u>-</u>	<u>79,703</u>	<u>6,437</u>	<u>-</u>
214,271	-	1,389,210	1,400,873	225,934
(114)	-	-	-	(114)
36,611	-	36,611	-	-
<u>-</u>	<u>-</u>	<u>138,258</u>	<u>109,956</u>	<u>(28,302)</u>
36,497	-	174,869	109,956	(28,416)
-	-	-	42,965	42,965
<u>75,164</u>	<u>-</u>	<u>147,429</u>	<u>72,265</u>	<u>-</u>
75,164	-	147,429	115,230	42,965
-	-	-	3,425	3,425
-	-	-	70,343	70,343
25,347	-	25,347	-	-
587,611	-	587,611	-	-
-	-	10,568	10,568	-
<u>-</u>	<u>-</u>	<u>433,635</u>	<u>1,129,203</u>	<u>695,568</u>
612,958	-	1,057,161	1,213,539	769,336

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Amount	(Memo Only) Prior Year Expenditures
Other Federal Awards (Continued):			
U.S. Department of Education (Continued):			
Passed through the Michigan Department of Education (Continued):			
Class Size Reduction:			
	84.340		
Project number 011450 0102		\$ 6,525,055	\$ 6,525,055
Project number 021450 0102		15,366,326	14,568,767
Total Class Size Reduction		21,891,381	21,093,822
Comprehensive School Reform Demonstration:			
	84.332		
Project number 011870 0102		1,454,220	1,088,689
Project number 011870 0203		314,440	-
Project number 021870 0203		1,847,671	-
Total Comprehensive School Reform Demonstration		3,616,331	1,088,689
Vocational Education - Basic Grants to States (Perkins II):			
	84.048		
Project number 03520 4903		10,000	-
Project number 023520 3824		4,812,706	3,661,058
Project number 033520 9224		4,839,749	-
Total Vocational Education - Basic Grants to States (Perkins II)		9,662,455	3,661,058
Vocational Education Tech Prep:			
	84.243		
Project number 023540 2724		226,247	-
Project number 023540 3424		218,088	95,776
Total Vocational Education Tech Prep		444,335	95,776
School Renovation Idea & Tech 0224101	84.352	5,841,519	-
Reading First Grant 032930 020301	84.357	6,494,400	-
Title IIA Improving Teacher Quality 030520 0203	84.367	22,581,883	-
Goals 2000:			
	84.276		
Goals 2000 96-97 - Project number 42274		50,000	-
Goals 2000 99-00 - Project number 42209		520,000	118,932
Goals 2000 Summer Literacy 00-01 - Project number 01426012		406,970	246,737
Total Goals 2000		976,970	365,669

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2003

Accrued (Deferred) Revenue at July 1, 2002	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2003
\$ 2,921,247	\$ -	\$ 2,921,247	\$ -	\$ -
<u>2,659,679</u>	<u>-</u>	<u>3,457,238</u>	<u>797,559</u>	<u>-</u>
5,580,926	-	6,378,485	797,559	-
254,526	-	620,057	365,531	-
-	-	314,440	314,440	-
<u>-</u>	<u>-</u>	<u>595,953</u>	<u>697,298</u>	<u>101,345</u>
254,526	-	1,530,450	1,377,269	101,345
(10,000)	-	(10,000)	-	-
1,095,008	-	2,246,656	1,151,648	-
<u>-</u>	<u>-</u>	<u>2,956,142</u>	<u>3,875,944</u>	<u>919,802</u>
1,085,008	-	5,192,798	5,027,592	919,802
-	-	209,539	164,473	(45,066)
<u>32,127</u>	<u>-</u>	<u>154,439</u>	<u>122,312</u>	<u>-</u>
32,127	-	363,978	286,785	(45,066)
-	-	2,474,893	5,351,376	2,876,483
-	-	3,357,893	3,181,045	(176,848)
-	-	-	19,692,539	19,692,539
(4,119)	-	-	-	(4,119)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14,567</u>	<u>-</u>	<u>135,799</u>	<u>121,232</u>	<u>-</u>
10,448	-	135,799	121,232	(4,119)

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Amount	(Memo Only) Prior Year Expenditures
Other Federal Awards (Continued):			
U.S. Department of Education (Continued):			
Passed through the Michigan Department of Education (Continued):			
Technology Literacy Challenge:	84.318		
Project number 034310 ILWLDemo		\$ 1,100,000	\$ -
Project number 428801		742,659	-
Project number 428001		739,528	149,096
Total Technology Literacy Challenge		<u>2,582,187</u>	<u>149,096</u>
Total noncluster programs passed through the Michigan Department of Education		505,031,660	188,531,612
Passed through the Wayne County ISD - Title VI Teacher Minigrant:	84.298		
Project number 116239		31,956	31,295
Project number 116230		26,658	24,745
Project number not available		26,658	-
Total noncluster programs passed through the Wayne County ISD		85,272	56,040
Passed through Gemcor, Inc. - Pell Grant Program - Licensed Practical Nursing:	84.063		
Pell Grant - Licensed Practical Nursing 00-01 - Project number not available		420,000	164,049
Pell Grant - Licensed Practical Nursing 01-02 - Project number not available		420,000	284,425
Total noncluster programs passed through Gemcor, Inc.		840,000	448,474
Passed through the City of Detroit - School to Work - Project number not available		200,213	17,263
Passed through the Armada School District - 21st Century After-school Community Learning Center:	84.287B		
Earhart - Project number not available		207,847	166,437
Earhart - Project number not available		170,088	-
Pelham - Project number not available		174,262	211,488
Clippert - Project number not available		210,928	-
Clippert - Project number not available		-	-
Hally - Project number not available		210,928	-
Hally - Project number not available		210,928	120,799
Munger - Project number not available		210,928	119,829
Munger - Project number not available		210,928	-
Total noncluster programs passed through the Armada School District		<u>1,606,837</u>	<u>618,553</u>
Total U.S. Department of Education noncluster programs		507,763,982	189,671,942

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2003

Accrued (Deferred) Revenue at July 1, 2002	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2003
\$ -	\$ -	\$ 375,260	\$ 423,747	\$ 48,487
(25,371)	-	-	-	(25,371)
(13,640)	-	-	-	(13,640)
(39,011)	-	375,260	423,747	9,476
20,157,932	(571,000)	135,003,437	158,437,849	43,021,344
(661)	661	-	-	-
5,257	(5,257)	-	-	-
-	-	-	-	-
4,596	(4,596)	-	-	-
-	-	165,271	165,271	-
-	-	69,684	69,684	-
-	-	234,955	234,955	-
17,263	(17,263)	-	-	-
163,953	(44,722)	119,231	-	-
-	-	-	72,647	72,647
211,488	(211,488)	-	-	-
111,723	(53,816)	62,907	-	(5,000)
-	-	-	25,588	25,588
-	-	68,811	63,622	(5,189)
208,222	(208,222)	-	-	-
119,829	(65,470)	90,114	35,755	-
-	-	23,950	56,039	32,089
815,215	(583,718)	365,013	253,651	120,135
20,995,006	(1,176,577)	135,603,405	158,926,455	43,141,479

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Amount	(Memo Only) Prior Year Expenditures
Other Federal Awards (Continued):			
U.S. Department of Health and Human Services:			
Passed through the City of Detroit Neighborhood Services			
Department - Headstart:	93.600		
Headstart 00-01 - Project number not available		\$ 7,272,529	\$ 1,772,288
Headstart 01-02 - Project number not available		8,794,855	7,038,097
Headstart 02-03 - Project number not available		8,794,855	-
Headstart Special Education 02-03 - Project number not available		161,431	-
Headstart Special Education 01-02 - Project number not available		161,431	141,173
Total noncluster programs passed through the City of Detroit		25,185,101	8,951,558
Passed through the Michigan Department of Education - Refugee Children School Impact Grant - Project number 218400102	93.938	237,810	-
Total U.S. Department of Health and Human Services noncluster programs		25,422,911	8,951,558
Corporation for National and Community Service - Passed through the Michigan Department of Education - Serv-Michigan:			
Project number 35902	94.004	13,888	-
Project number 35902-98-99		26,000	-
Project number 35606-95-96		44,996	-
Project number 35704-96-97		35,000	-
Total Corporation for National and Community Service noncluster programs		119,884	-
The National Science Foundation - Passed through the Northwestern University:			
Learning Technologies in Urban Schools:			
Project number 0830310 A605		169,098	-
Project number 0830310 A605		174,347	-
Total Learning Technologies in Urban Schools		343,445	-
Passed through the University of Michigan		106,462	-
Total National Science Foundation noncluster programs		449,907	-

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2003

Accrued (Deferred) Revenue at July 1, 2002	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2003
\$ 602,232	\$ (602,232)	\$ -	\$ -	\$ -
474,015	-	2,766,369	2,292,354	-
-	-	5,911,017	6,881,366	970,349
-	-	108,434	137,735	29,301
<u>141,173</u>	<u>-</u>	<u>165,628</u>	<u>24,455</u>	<u>-</u>
1,217,420	(602,232)	8,951,448	9,335,910	999,650
<u>-</u>	<u>-</u>	<u>134,312</u>	<u>237,810</u>	<u>103,498</u>
1,217,420	(602,232)	9,085,760	9,573,720	1,103,148
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	12,717	12,717
<u>-</u>	<u>-</u>	<u>-</u>	<u>88,132</u>	<u>88,132</u>
-	-	-	100,849	100,849
<u>-</u>	<u>-</u>	<u>-</u>	<u>9,726</u>	<u>9,726</u>
-	-	-	110,575	110,575

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Amount	(Memo Only) Prior Year Expenditures
Other Federal Awards (Continued):			
U.S. Department of Agriculture - Passed through the Michigan Department of Education:			
Food Distribution:	10.550		
Entitlement commodities		\$ 2,214,986	\$ 1,218,912
Bonus commodities		125,246	220,750
Total Food Distribution		2,340,232	1,439,662
Child Care Food Program:	10.558		
Project number 2010		22,251	13,846
Project number 12010		16,253	4,131
Project number 1920		463,660	308,997
Project number 11920		297,616	12,013
Total Child Care Food Program		799,780	338,987
Total U.S. Department of Agriculture noncluster programs		3,140,012	1,778,649
U.S. Department of Housing and Urban Development:			
Passed through the City of Detroit Department of Health and Human Services - Title XX Empowerment Zone - Project number not available			
	14.244	96,510	76,545
Passed through City of Detroit Planning and Development - Title XX Empowerment Zone:			
Empowerment Zone - Detroit Compact - Project number not available	14.244	606,000	128,073
Empowerment Zone - Health Clinics - Project number not available		2,643,000	352,952
Empowerment Zone - EZ Entrepreneur - Project number not available		743,000	177,832
Empowerment Zone - Life MGMT ED - Project number not available		460,000	170,447
Total Title XX Empowerment Zone		4,452,000	829,304
Total U.S. Department of Housing and Urban Development noncluster programs		4,548,510	905,849
Total federal awards		\$691,844,855	\$261,310,796

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2003

Accrued (Deferred) Revenue at July 1, 2002	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2003
\$ (1,054,055)	\$ -	\$ 1,957,909	\$ 2,356,390	\$ (655,574)
-	-	-	-	-
(1,054,055)	-	1,957,909	2,356,390	(655,574)
-	-	8,405	8,405	-
-	-	16,253	18,546	2,293
-	-	154,663	154,663	-
-	-	297,616	541,877	244,261
-	-	476,937	723,491	246,554
(1,054,055)	-	2,434,846	3,079,881	(409,020)
(2,867)	2,867	-	-	-
97,931	-	70,946	108,368	135,353
269,612	-	649,215	364,461	(15,142)
94,492	-	258,450	193,923	29,965
170,447	-	126,230	179,308	223,525
632,482	-	1,104,841	846,060	373,701
629,615	2,867	1,104,841	846,060	373,701
\$ 31,547,838	\$ (2,652,057)	\$ 214,237,248	\$ 235,400,640	\$ 50,059,173

Detroit Public Schools

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2003

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 243,725,137
Less State revenue reported as federal revenue on the basic financial statements	(7,668,923)
Less deferred revenue not reported on the basic financial statements	<u>(655,574)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 235,400,640</u>

Detroit Public Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2003

Note 1 - Significant Accounting Policies

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

Note 2 - Noncash Assistance

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

Note 3 - Grant Section Auditor's Report

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

Note 4 - Adjustments and Transfers

During the year ended June 30, 2003, adjustments and transfers in the amount of \$2,068,339 were made to write off receivables not expected to be collected and to return grant payments received in advance that were not spent before the awards had expired.

Note 5 - Medicaid Transportation Program

For the years ended June 30, 2001 and June 30, 2002, the School District had revenues and related expenditures related to its Medicaid Transportation Program totaling \$1,122,757. These amounts were excluded from the School District's schedule of expenditures of federal awards for those years.

Detroit Public Schools

Schedule of Findings and Questioned Costs Year Ended June 30, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

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

Type of auditor's report issued on compliance for major program(s): Unqualified for all major programs except for Child Nutrition Cluster, which was qualified

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

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.010	Title I
84.298	Title V
84.048	Vocational Education Basic Grants to States
93.600	Head Start
93.778	Medicaid Cluster
84.367	Title II A
84.352	School Renovation Idea & Tech
84.357	Reading First State Grant
84.287B	Twenty-First Century Community Learning Centers

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

Auditee qualified as low-risk auditee? Yes No

Section III - Financial Statement Audit Findings

Reference Number	Findings
03-A	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition - The School District did not prepare bank reconciliations for all of the significant cash accounts in a timely manner throughout the year. This includes the general and payroll cash accounts.</p> <p>Description - In order to maintain adequate internal control, timely bank account reconciliations must be prepared. We recommend that timely bank reconciliations be prepared in the future.</p>
03-B	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition - The School District did not record significant transactions in the general ledger in a timely fashion during the course of the year.</p> <p>Description - In order to maintain adequate internal control and to ensure accurate financial reporting, all financial transactions must be recorded in the general ledger in a timely fashion.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
03-C	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition - The School District did not reconcile many significant general ledger accounts in a timely manner throughout the year nor were adjusting journal entries made to properly reflect adjustments as they were identified.</p> <p>Description - In order to maintain adequate internal control and to ensure accurate financial reporting, all key general ledger accounts must be reconciled on a timely basis and proper adjustments made to the general ledger.</p>
03-D	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition - The School District improperly paid many of the 2002 summer school employees due to an apparent delay in entering the appropriate employee wage information in the payroll system.</p> <p>Description - In order to maintain adequate internal control and to ensure accurate wage payments, employee information must be entered into the system in a timely fashion.</p>
03-E	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition - The School District's budget system did not operate in the manner for which it was designed during the year. As a result, this significant internal control over the School District's expenditures was not effective in ensuring that expenditures were within budget. Much of this problem was caused by the system conversion, which delayed the implementation of the budget process.</p> <p>Description - Accurate and timely implementation of the annual budget in the overall financial system is necessary to ensure adherence to the budget.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
03-F	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition - The School District maintains an imprest payroll account for manual payroll checks as part of its internal control process. However, in practice, the imprest balance has not been maintained and instead significant cash balances have been allowed to accumulate in the account over the past couple of years.</p> <p>Description - Imprest accounts are effective for internal control when only a small, unchanging imprest amount is maintained in the account.</p>
03-G	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition - During our testing, it came to our attention that the School District had a significant amount of checks recorded as outstanding checks that had actually either been reversed (canceled) or a stop payment had been ordered. This condition prevented the financial records from reflecting the correct cash balance and made the monthly bank reconciliation difficult.</p> <p>Description - Stop payment or otherwise canceled checks should be immediately removed from the outstanding list in order to accurately reflect the cash balance.</p>
03-H	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition - During our testing, it came to our attention that the School District does not ensure that the “payroll clearing” account does in fact function as a “zero balance” account. As a result, significant unreconciled balances remained in the payroll clearing account which is, by design, intended to be a zero balance account. This condition prevented the financial records from reflecting the true payroll expenditure balance during the course of the year.</p> <p>Description - Clearing accounts are designed to be “zeroed out” on a regular basis in order to be an effective means of recording transactions.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
03-I	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition - During our testing, it came to our attention that the School District does not stamp “void” or otherwise cancel an unissued voided payroll check. This means the check could in fact be cashed even though the check was canceled on the School District’s record.</p> <p>Description - All voided checks must be stamped in some fashion or otherwise altered to avoid the possibility of subsequent cashing of the check by a financial institution.</p>
03-J	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition - During our testing, it came to our attention that the School District does not record the cash accounts associated with the workers’ compensation payments as well as the flexible spending account activity on the general ledger. It is a key internal control measure to have all activity, particularly cash activity, recorded in the general ledger.</p> <p>Description - In order to ensure proper internal controls over cash, all cash accounts and related activity must be reflected in the general ledger.</p>
03-K	<p>Finding Type - Reportable condition</p> <p>Condition - Inventory unit costs in the inventory control system are based upon purchase order costs rather than actual invoice costs. This resulted in inaccurate pricing of the inventory.</p> <p>Description - Accurate per unit inventory costs should be maintained in the system in order to properly reflect the proper total inventory balance.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
03-L	<p>Finding Type - Reportable condition</p> <p>Condition - A key financial staff position remained vacant for approximately six months during the year. This resulted in several key internal control activities, described elsewhere in this report, to remain undone.</p> <p>Description - Adequate staffing levels must be maintained in order to ensure adherence to proper internal control procedures.</p>
03-M	<p>Finding Type - Reportable condition</p> <p>Condition - During the course of our audit, we noted significant issues related to the processing and approval practices for administrative purchase card usage and expense reimbursement requests. We have issued a separate report outlining these issues.</p> <p>Description - Proper internal control over the usage of purchase cards and expense account reimbursement requires adequate documentation and approval processes.</p>
03-N	<p>Finding Type - Reportable condition</p> <p>Condition - During the course of our audit, we noted that the School District does not maintain copies of the employee election to be paid either in 21 weeks or 26 weeks. This is a key election and necessary audit trail documentation.</p> <p>Description - The School District should maintain a proper audit trail by retaining the employee election to be paid in 21 weeks or 26 weeks.</p>
03-O	<p>Finding Type - Reportable condition and material weakness</p> <p>Condition - During the course of our audit, we noted that proper reconciliations of the actual payroll amounts (i.e., gross pay, federal withholdings, State retirement contributions, etc.) were not reconciled to tax filings and retirement reports and the general ledger.</p> <p>Description - In order to accurately reflect general ledger balances and verify that the appropriate payments have been made, these amounts need to be timely reconciled.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
03-P	<p>Finding Type - Reportable condition</p> <p>Condition - During the course of our audit, we noted that all property tax revenue was recorded in the General Fund.</p> <p>Description - The School District is required by law to allocate property tax revenue to the applicable specific funds at the time of receipt.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings

Reference Number	Findings
03-1	<p>Program Name - Title I, Title IIA, Title V, Head Start, Vocational Education, Reading First</p> <p>Finding Type - Reportable condition and material noncompliance</p> <p>Criteria - In accordance with OMB Circular A-87, Attachment B, if an employee is charged solely to one federal program, Detroit Public Schools is required to obtain certification twice a year, signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.</p> <p>Condition - Detroit Public Schools did not obtain certifications semi-annually signed by the employee or supervisory official for employees charged solely to one federal program.</p> <p>Questioned Costs - None</p> <p>Context - The School District did not provide other documentation to substantiate the time employees spent working on Title I. However, the State of Michigan Department of Education (MDE) monitors approximately 35 buildings and the MDE field representative confirmed that lesson plans are being maintained for Title I teachers. For Head Start, Vocational Education, Title V, and Reading First, other documentation which supported the time spent on these programs was provided. For Title IIA, we verified that the class size was within the limits specified in the criteria for the teachers charged to the program.</p> <p>Cause/Effect - Signed certifications are required as part of the documentation of the services provided by employees charged solely to one federal program.</p> <p>Recommendation - In addition to the documentation already maintained by Detroit Public Schools, the School District should implement procedures to identify those employees charged solely to one federal program and obtain semi-annual certifications signed by the appropriate individual.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-2	<p>Program Name - Title I, Title IIA, Title V, Headstart, Vocational Education, Reading First</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District is required to maintain documentation supporting the level of pay authorized and that the service provider maintains the necessary qualifications or certifications.</p> <p>Condition - In order to determine that each employee charged to a federal program has the necessary qualifications to perform the service they are reported to have performed and to verify that they are being paid at an appropriate level of pay, it is necessary to examine certain documents in their personnel file such as education level, certifications, and the position for which they were hired. The personnel files for 9 of the 166 selected for testing were not available; therefore, credentials could not be reviewed.</p> <p>Questioned Costs - None</p> <p>Context - The School District moved offices during the year and had approximately 23,000 active employee files to pack and re-file. Of the nine files that were not available:</p> <ul style="list-style-type: none">- three were for co-op students for which no personnel file is maintained. The required payroll documentation was maintained at the students' work location and could not be provided for review.- five were files that the Human Resources Department could not locate after the move.- one was for a teacher who retired in February 2003. The personnel file was sent to an offsite storage location and was not available for review. <p>Cause/Effect - Because of the School District's size and number of employees, maintaining and tracking employee personnel files is quite cumbersome.</p> <p>Recommendation - In addition to the paper documentation already maintained by the School District, the School District should consider implementing an electronic database that could store an employee's personnel information or consider a document management facility to better maintain off-site storage of records.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-3	<p>Program Name - School Renovation, Reading First, Title V, Head Start, 21st Century Community Learning Centers, Vocational Education</p> <p>Finding Type - Reportable condition</p> <p>Criteria - Detroit Public Schools is required to receive certification from vendors that their organization has not been suspended or debarred from federal procurement for any contracts greater than \$100,000.</p> <p>Condition - Detroit Public Schools did not obtain certification that vendors are not suspended or debarred.</p> <p>Questioned Costs - None</p> <p>Context - Subsequent to the contract being awarded, it was determined that the vendors tested have not been suspended or debarred from federal procurement.</p> <p>Cause/Effect - Currently, the purchasing department for the School District does not routinely verify that the vendor is not included in the suspended and debarred list. As a result, Detroit Public Schools could have used a vendor that had been suspended or debarred from federal procurement. Through the audit process, it was verified that the vendors sampled were not on the suspended or debarred list.</p> <p>Recommendation - Detroit Public Schools should receive certification from any vendor with a contract greater than \$100,000 or verify the vendor is not included on the listing provided on the federal Web site.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal program Audit Findings (Continued)

Reference Number	Findings
03-4	<p>Program Name - School Renovation</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - A final performance report is required to be completed at the end of the grant period and should accurately reflect the books and records of the School District.</p> <p>Condition - Thirteen of the school buildings where the School District incurred some type of renovation or repair expenditures charged to this grant were not listed on the final performance report filed by the School District.</p> <p>Questioned Costs - None</p> <p>Context - The schools not listed on the final performance report were approved in various correspondences by the State of Michigan.</p> <p>Cause/Effect - The School District incurred allowable costs on 13 buildings approved for renovation that were inadvertently omitted from the final performance report.</p> <p>Recommendation - The School District should take steps to ensure that the final performance reports submitted to the State are updated to accurately reflect the records of the School District. In the event that the records are changed after submission to the State, the School District should amend the final report accordingly.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-5	<p>Program Name - Child Nutrition Cluster</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District uses a food service management company for its food service operations. A price comparison of 50 food items is required to be completed by the food service company and submitted to the State. Evidence that this price comparison has been performed and submitted to the State is a requirement of the Federal Child Nutrition Grant funding.</p> <p>Condition - The food service management company was unable to provide the School District with evidence that this comparison was performed and submitted to the State.</p> <p>Questioned Costs - None</p> <p>Context/Cause/Effect - The School District employs a food service management company, Aramark, to manage their food service operations, which are funded using federal monies. Aramark asserts that they performed a competitive bidding process to ensure the School District is paying a fair price for the food items purchased. However, the price comparison information was not provided.</p> <p>Recommendation - The School District should coordinate with their food service management company to ensure this requirement is being met and obtain proper evidence of their compliance with this requirement.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-6	<p>Program Name - Child Nutrition Cluster</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The student lunch rosters should be completely filled out and correctly reflect the approved status of the completed lunch application.</p> <p>Condition - Two out of the 51 applications selected for testing had data input errors in the student database, allowing ineligible students to receive benefits.</p> <p>There were two different instances out of a sample of 51 selected where the lunch application was not completely filled out.</p> <p>Questioned Costs - \$676.80</p> <p>Context - The review of applications noted that the lunch applications for these two students were correctly marked as denied free or reduced lunch due to income limitations; however, during data entry into the student lunch database, the status for the two students was entered as reduced. For two other students, the applications for eligible students excluded information such as the address and Social Security number.</p> <p>Cause/Effect - The School District is receiving claim reimbursements for students who are ineligible for free or reduced lunches or the possibility that these students were subsequently approved for reduced price lunches is not documented on the application. Per review of the application approval process provided to us by the School District, there is a procedure in place to ensure the applications are complete. It appears the process is not always followed.</p> <p>Recommendation - Detroit Public Schools should institute a procedure to review information input into the student lunch database to ensure only meals for eligible students are claimed for reimbursement. They should also ensure that applications are complete and, if there is a change in status after the initial approval or denial, are properly changed and approved by the appropriate individual at the School District.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-7	<p>Program Name - Child Nutrition Cluster</p> <p>Finding Type - Reportable condition and material noncompliance</p> <p>Criteria - Claims for reimbursement should be adequately supported by the counts taken at the point of service.</p> <p>Condition - The daily roster of students served at four of the 15 schools selected for testing could not be made available for review. Nine out of 11 daily counts recalculated were different from the counts recorded by the food service department.</p> <p>Questioned Costs - \$2,864.52 (Based on 1,308 free unsupported meals claimed for reimbursement at \$2.19 per meal)</p> <p>\$129 of overclaimed reimbursements based on recalculation of daily counts (The overclaimed amount represents 3.36 percent error rate based on the sample selected)</p> <p>Context - Claims for reimbursement ultimately submitted to the Michigan Department of Education are required to be supported by accurate daily meal count information.</p> <p>Cause/Effect - The School District asserts the data was created but either could not be located or included computational or recording errors.</p> <p>Recommendation - Accurate counts taken at the point of service from all buildings should be maintained and retained by the School District in support of the reimbursement request made.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-8	<p>Program Name - Head Start</p> <p>Pass-through Entity - The City of Detroit Department of Health and Human Services</p> <p>Finding Type - Reportable condition</p> <p>Criteria - The eligibility status of students enrolled in the Head Start program is to be documented by a completed and approved application.</p> <p>Condition - One out of 51 applications selected for testing was not signed and approved by a Detroit Public School official.</p> <p>Questioned Costs - None</p> <p>Context - An official signature of an authorized Detroit Public Schools official is required on each application as evidence of School District approval.</p> <p>Cause/Effect - Applications of those enrolled in the Head Start program are required to be approved by an official of the School District.</p> <p>Recommendation - The School District should consider instituting a review procedure to make sure all applications are appropriately signed and authorized by a School District official.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-9	<p>Program Name - Head Start</p> <p>Pass-through Entity - The City of Detroit Department of Health and Human Services</p> <p>Finding Type - Other noncompliance</p> <p>Criteria - Ninety percent of the Head Start enrollment should be comprised of students from low-income households. Also, the City of Detroit Department of Health and Human Services requires the School District to attain 100 percent enrollment within 30 days of classes beginning.</p> <p>Condition - Per review of the School District's records, 85 percent of the enrolled students were from low-income households. Also, the School District budgeted to fund 2,210 students for the 2002/2003 school year; as of October, only 2,203 students were enrolled, thus not meeting the City's requirement.</p> <p>Questioned Costs - \$7,665 (total expenditures of \$2,419,907 divided by number of students budgeted of 2,210 multiplied by seven students under enrollment)</p> <p>Context - Due to low enrollment, the School District allowed students who were not from low-income families to attend the Head Start program under certain circumstances. The School District appropriately documented these exceptions on "overincome forms."</p> <p>Cause/Effect - Underenrollment could result in a possible reduction in funding for the program.</p> <p>Recommendation - The School District should try to increase its enrollment of low-income students to meet the 90 percent requirement and begin its efforts early in the summer to meet the 100 percent requirement of budgeted enrollment within 30 days of classes beginning.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-10	<p>Program Name - Head Start</p> <p>Pass-through Entity - The City of Detroit Department of Health and Human Services</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Only allowable costs as defined in the A-133 circular are to be charged to programs funded with federal monies.</p> <p>Condition - The City of Detroit Department of Health and Human Services conducted a monitoring visit and discovered an employee was overpaid due to an incorrect hourly rate.</p> <p>Questioned Costs - \$616.14</p> <p>Context - During the testing of the Head Start expenditures, it was found that an employee charged to the federal grant was being paid at an incorrect hourly rate.</p> <p>Cause/Effect - Salaries are a large part of the total expenditures charged to federal grant funding. It is important that these amounts be accurate, for both the recordkeeping and allowability of costs compliance requirements.</p> <p>Recommendation - The School District should verify all pay rates on a periodic basis to ensure their accuracy of reporting and expenditures.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-11	<p>Program Name - 21st Century Community Learning Center</p> <p>Pass-through Entity - Armada School District</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Only allowable costs as defined in the A-133 circular are to be charged to programs funded with federal monies.</p> <p>Condition - For two of the expenditures selected for testing, the School District could not provide invoices supporting the costs.</p> <p>Questioned Costs - \$11,834</p> <p>Context - During the testing of the 21st Century Community Learning Centers, the School District could not provide invoices as evidence of two of the 21 invoices selected for testing.</p> <p>Cause/Effect - Invoices provide external evidence of a cost charged to a federal program, for both the recordkeeping and allowability of costs compliance requirements.</p> <p>Recommendation - The School District should be able to provide documentation in support of expenditures charged to federal programs.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-12	<p>Program Name - Vocational Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Federal grant revenues are to be used to supplement, not supplant, the School District's General Fund revenue.</p> <p>Condition - By federal law, the School District is required to operate a Career and Vocational Education program. The School District employs three people to administer the programs that make up the Career and Technical Education department. These individuals would be employed by the School District even if they did not receive the Vocational Education grant funding. Therefore, the School District's use of federal funds to pay the salaries and benefits of the three individuals appears to have supplanted rather than supplemented the School District's funds.</p> <p>Questioned Costs - \$357,420</p> <p>Context/Cause/Effect - The School District is required to supplement services provided by their General Fund with federal funding. By funding a service with federal dollars that is required to be funded with General Fund dollars, they are supplanting services provided with federal dollars rather than supplementing.</p> <p>Recommendation - The School District should fund these salaries using General Fund money and use the federal dollars to provide supplementary services.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-13	<p>Program Name - Title I</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Schools receiving Title I funds are required to offer services that are comparable and equivalent to services in schools not receiving funding. The variation between equivalent grade spans cannot exceed 10 percent.</p> <p>Condition - Detroit Public Schools' comparability report indicated that only 52 percent of the equivalent grade spans were comparable.</p> <p>Questioned Costs - None</p> <p>Context - The School District's method for demonstrating comparability is determined by comparing the instructional staff to pupil ratio (between equivalent grade span schools). The School District has only a few buildings that do not receive Title I funding and these buildings receive 31a or Special Education funding.</p> <p>Cause/Effect - Due to the number of schools in the system and the number of Title I schools, it is difficult for the School District to ensure a consistent allocation between buildings. Since the primary service delivery decisions are based on individual building needs, it is possible that the computation will show differences between buildings.</p> <p>Recommendation - The School District should consider performing a comparability analysis based on the student/staffing plan to determine if adjustments should be considered.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-14	<p>Program Name - Title I</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Funds must be obligated within the grant period and all obligations must be liquidated within 90 days.</p> <p>Condition - The School District charged pay stipends to the grant for a workshop that was held August 20-24, 2001, but the stipends were not paid to the employees until July 12, 2002.</p> <p>Questioned Costs - \$6,720.80</p> <p>Context/Cause/Effect - At times, the stipend requests are either not submitted to or processed by the grant director in a timely matter.</p> <p>Recommendation - The School District should institute a procedure to ensure all funds obligated during the grant period are paid within 90 days.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-15	<p>Program Name - Title IIA</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Title IIA funds may be used to hire additional teachers to reduce class sizes, particularly in the early grades or in special education.</p> <p>Condition - One of the five teachers selected for testing of the redirected payroll costs charged to the Title IIA grant was assigned to a fifth grade homeroom class, not a K-3 class.</p> <p>Questioned Costs - \$49,847</p> <p>Context - The School District determines that early grades are considered K-3 grades. Supplemental teacher salaries in K-3 would be allowable.</p> <p>Cause/Effect - When determining allowable wages, the School District inadvertently allocated a fifth grade teacher's wages to the program. This likely occurred because the State authorized the funds after the school year started and allowed the School District to cover costs since the beginning of the school year.</p> <p>Recommendation - The School District should ensure that only supplemental K-3 grade salaries are charged to the grant.</p>

Detroit Public Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-16	<p>Program Name - Title IIA</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Federal cost principles require that all costs charged to the grant should be evidence by supporting documentation indicating the nature of the expense.</p> <p>Condition - The School District could not provide documented information on 5 of the 25 cash disbursements selected for testing.</p> <p>Questioned Costs - \$7,045</p> <p>Context/Cause/Effect - Three of these items related to internal charges from the print shop, which were charged to the program by journal entry with no supporting documentation provided. Two items were for external payment where supporting documentation was not provided.</p> <p>Recommendation - The School District should maintain supporting documentation for all costs charged to federal grants.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-17	<p>Program Name - Reading First</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Expenditures charged to this grant can only be use for grades K-3 and special education.</p> <p>Condition - Salary charges to this grant for time spent by staff either were not supported by documentation or were for services performed in other than a K-3 or special education program.</p> <p>Questioned Costs: \$81,068 (total salary for 26 weeks for a literacy coach) 9,360 (total salary for 6 weeks) 9,355 (total salary for 6 weeks)</p> <p>Context - Costs charged to the grant should be in accordance with the criteria established by the School District.</p> <p>Cause/Effect - From a sample of 26 literary coaches, for one literacy coach, it could not be verified that the time was spent in a K-3 grade or special education classroom. Time charge to this grant for two staff from a sample of 26 persons were spent in fourth, fifth, and sixth grade classrooms.</p> <p>Recommendation - The School District should capture the time related to the Reading First program distinctly to ensure an accurate allocation to the grant.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-18	<p>Program Name - Title I</p> <p>Finding Type - Other noncompliance</p> <p>Criteria - The School District had a federal audit conducted for the period from July 1, 2002 to April 24, 2003. Preliminary results found that the School District used Title I funds totaling \$8,442,270 to provide set-aside district-wide services for public school participants, but did not make available those same district-wide services to private school participants within the School District.</p> <p>Condition - The School District allocated the set-aside funding prior to the allocation of Title I funds to private schools.</p> <p>Questioned Costs - Unknown</p> <p>Context/Cause/Effect/Recommendation - The School District should respond to this potential finding and develop an allocation method for private school participation and the future set-aside funding method in compliance with the federal requirements.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
03-19	<p>Program Name - Title I</p> <p>Finding Type - Other noncompliance</p> <p>Criteria - Federal cost principles require that all cost charged to the grant should be evidence by supporting documentation indicating the nature of the expense.</p> <p>Condition - The School District had a federal audit conducted for the period from July 1, 2002 to April 24, 2003. Preliminary results found that the School District used Title I funds totaling \$278,414 to pay services that did not benefit Title I participants.</p> <p>Questioned Costs - \$278,414</p> <p>Context/Cause/Effect - The School District should respond to this potential finding and future costs charged to the grant should be reviewed to ensure they comply with this compliance requirement.</p> <p>Recommendation - The School District should maintain supporting documentation for all costs charged to federal grants.</p>