



# **DETROIT PUBLIC SCHOOLS**

**Corrective Action Plan and Status of Implementation  
For the Single Audit for the Year Ended June 30, 2008**



# **TCBA**

**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**



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Findings and Recommendations	Corrective Action Plan	Current Status
<p><b>2008-01: Financial Reporting            Preparation of Financial Statements</b></p> <p><b>Prior Year Finding 2007- 01</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>Material audit adjustments were necessary for the financial statements to be fairly stated. Additionally, we also noted that the financial statements and related information were not prepared soon enough after year-end to result in timely financial reporting (as defined by the Michigan Department of Education, which has established a reporting deadline of November 15 of each year). However, the District was given a revised due date as a condition of the Consent Agreement.</p> <p><b><u>Recommendations:</u></b></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 prepared draft financial statements, including a reconciliation of all significant financial statement accounts.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Develop a comprehensive closing schedule to ensure that year-end financial statements are prepared on a timely basis.</li> <li>2. Perform periodic closing of the accounting books and records, including review and reconciliation of certain general ledger accounts.</li> <li>3. Document and update policies and procedures to strengthen internal controls.</li> <li>4. Review on an ongoing basis the supporting documentation for transactions to ensure that such documentation is maintained consistently.</li> <li>5. Determine whether transactions which are manually processed can be automated in the long term.</li> </ol>	<ul style="list-style-type: none"> <li>• The Emergency Financial Manager has hired a Chief Financial Officer (CFO), effective March 23, 2009, who is to ensure that the financial statements are accurate and timely.</li> <li>• The CFO has begun restructuring the Finance Department and is in the process of recruiting qualified accounting personnel with sufficient accounting and financial reporting experience to ensure accurate and reliable financial statements.</li> <li>• The CFO is in the process of formally implementing COSO framework of internal control over financial reporting including formal, documented policies and procedures.</li> <li>• The Accounting Department has developed a comprehensive closing schedule with timetable to ensure that year end financial statements are prepared timely and efficiently.</li> <li>• The CFO is in the process of updating the Finance Department's Polices and Procedures Manual. He has also started incorporating control activities indicated below into the Finance Department's Internal Control Plan.             <ul style="list-style-type: none"> <li>- Authorization - The CFO has sent communication to all District staff</li> </ul> </li> </ul>

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		<p>stating that all goods and services should be obtained with proper authorization and approval.</p> <ul style="list-style-type: none"> <li>- Review and Approval – The CFO has instituted a review and approval process for the various stages of the accounting process. This provides reasonable assurance that transactions have been reviewed for accuracy and completeness by appropriate personnel.</li> <li>- Verification – The Security Administrator, under the direction of the CFO, is developing an IT Review Plan to perform a complete review of PeopleSoft roles.</li> <li>- Reconciliation – The CFO has taken steps to reconcile the US Savings Bond and the Payroll Garnishment accounts to the General Ledger.</li> <li>- Training – The CFO is in the process of preparing training material and schedule to conduct employee training on updated policies and procedures during 2010.</li> </ul> <ul style="list-style-type: none"> <li>• The CFO has reviewed the external auditor’s recommendations regarding manual processes and has submitted Business User Requests (BURs) to the IT Department requesting the configuration of the PeopleSoft system. The BURs when implemented will</li> </ul>

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		facilitate the District's financial management and reporting while improving operational efficiency. <ul style="list-style-type: none"><li>• The Accounting Department will prepare periodic internal financial reports starting January 2010.</li></ul>

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<p><b>2008-02: Financial Reporting            Chief Audit Executive</b></p> <p><b>Prior Year Finding 2007- 04</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>The District began a search for a Chief Audit Executive, but has not filled that position on a permanent basis.</p> <p><b><u>Recommendations:</u></b></p> <p>We recommend that the District continue its search for a Chief Audit Executive and to assign this person with responsibilities to monitor and assess internal control deficiencies and communicate to top management, the board or the audit committee. The District has recently hired an outside consulting firm to perform internal audit functions. This firm will assist in the search for the Chief Audit Executive.</p>	<p>The contract for the outside consulting firm which performed internal audit functions has been terminated. The Emergency Financial Manager has hired an Auditor General (AG) effective March 23, 2009. The AG will develop a plan to monitor and assess internal control deficiencies:</p> <ol style="list-style-type: none"> <li>1. Outline the Organizational Structure.</li> <li>2. Perform a Preliminary Risk Assessment based on known high risk areas.</li> <li>3. Document resources required.</li> </ol>	<ul style="list-style-type: none"> <li>• The Auditor General (AG) has developed an organizational structure consisting of a hierarchy of qualified internal audit professionals; a Deputy Auditor General, two audit managers, a principal senior auditor, and two staff auditors. The collective skills of these professionals will enable the Internal Audit Department to perform the audits mandated by the Emergency Financial Manager in an effective and efficient manner.</li> <li>• The AG has performed a preliminary risk assessment and identified the following high risk areas based on the District's various audit reports and reported conditions for the following:           <ul style="list-style-type: none"> <li>- The District's Schools Operations</li> <li>- Warehouse Operations</li> <li>- Contract and Procurement</li> <li>- Wire Transfers</li> <li>- Worker's Compensation</li> <li>- Facilities Operations Overtime</li> <li>- Existence of Ghost Employees</li> </ul> </li> <li>• The AG has been working closely with the Inspector General to perform follow-up audits to ensure that fraud risks identified as a result of fraud investigations are addressed. The AG's office will ensure that an ongoing monitoring mechanism has been put in place to evaluate and address fraud risks.</li> </ul>

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<p><b>2008-03: Fraud Detection            Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-03</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>The District has not adopted a comprehensive and integrated approach to fraud risk management that takes all relevant considerations into account.</p> <p><b><u>Recommendations:</u></b></p> <p>The District should undertake designing and implementing a comprehensive program that contains the following elements:</p> <ol style="list-style-type: none"> <li>1. Prevention controls such as a fraud and misconduct risk assessment, development of a code of conduct, employee education on code of conduct and related regulations, employee and third-party due diligence, and process-specific fraud risk controls;</li> <li>2. Detection controls such as establishing a hotline and whistleblower mechanisms, establishing internal audit, implementing monitoring activities, and conducting proactive forensic data analysis; and</li> <li>3. Responsive controls such as internal investigation protocols, enforcement and accountability protocols, and remedial action protocols.</li> </ol>	<p>The Emergency Financial Manager (EFM) has hired an Inspector General (IG) effective March 23, 2009. The EFM mandated that the IG establish and maintain a confidential hotline to receive reports of suspected waste, fraud and abuse in the School District, and investigate and audit all reports related to this matter.</p> <p>The IG, in designing and implementing a comprehensive fraud risk management program, will:</p> <ol style="list-style-type: none"> <li>1. Develop a program which includes the following elements:           <ol style="list-style-type: none"> <li>a) Prevention controls such as a fraud and misconduct risk assessment, development of a code of conduct, employee education on code of conduct and related regulations, employee and third-party due diligence, and process-specific fraud risk controls.</li> <li>b) Detection controls such as establishing a hotline and whistleblower mechanisms, implementing monitoring activities, and conducting proactive forensic data analysis.</li> <li>c) Responsive controls such as internal investigation protocols, enforcement and accountability protocols, and remedial action protocols.</li> </ol> </li> <li>2. Communicate to the Auditor General any internal controls implications based on fraud investigation.</li> <li>3. Ensure that investigations are conducted and resolved in a timely manner.</li> </ol>	<ul style="list-style-type: none"> <li>• The IG is performing an ongoing fraud and misconduct risk assessment by utilizing information collected from the following sources:       <ul style="list-style-type: none"> <li>- 2008 Single Audit risk assessment interviews</li> <li>- Interviews with current and former DPS employees</li> <li>- Review of DPS contracts and vendor accounts</li> <li>- Analysis of tip information</li> <li>- Review of FBI, DPS Public Safety and prosecutors information</li> <li>- Analysis of current investigations</li> <li>- Media source contacts and reporting</li> </ul> </li> <li>• The Office of Inspector General (OIG) has drafted an “Employee Code of Ethics” (ECE) which was adopted by the Emergency Financial Manager and announced in an “All Employee Memorandum” and circulated to all DPS employees. The ECE applies to all District personnel including Board members. The OIG has begun training on the ECE starting with DPS cabinet staff and their subordinates, and school principals. The principals have been instructed to train their individual school employees. All employees have been instructed to report ECE matters to their supervisors, the Office of General Council or the OIG. Also, a memorandum acknowledging receipt of the ECE is being executed by each</li> </ul>

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	<p>4. Develop an ongoing monitoring mechanism to evaluate and continuously reduce fraud risk.</p> <p>The AG will:</p> <ol style="list-style-type: none"> <li>1. Perform follow-up audits to ensure that the fraud risks identified as a result of fraud investigations are addressed.</li> <li>2. Develop an ongoing monitoring mechanism to evaluate and address fraud risk.</li> </ol>	<p>trained employee and placed in their personnel file.</p> <ul style="list-style-type: none"> <li>• On April 2, 2009 the Emergency Financial Manager issued Order 2009-9 mandating all employees, staff, contractors, vendors, agents and representatives of the School District to immediately report any and all instances of suspected waste, fraud and abuse to the Inspector General of the Detroit Public Schools.</li> <li>• The OIG has established a telephone hotline (313) 870-3436 and an email hotline <a href="mailto:inspectorgeneral@detroitk12.org">inspectorgeneral@detroitk12.org</a> for the reporting of fraud, waste and abuse. Both hotlines are monitored daily in the IG's office and copies of each pertinent tip is recorded and filed in a binder chronologically. Copies of the tips requiring investigation are approved by the IG and forwarded to a Deputy Inspector General (DIG) for assignment to a Special Investigator. The IG is in the process of having a Case Management database developed which will automatically incorporate each hotline tip for search and retrieval purposes.</li> </ul>

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		<ul style="list-style-type: none"> <li>• DPS has adopted the State of Michigan “Whistleblowers’ Protection Act, Act 469 of 1980” (WPA) for use by all DPS employees. The WPA was approved by the Emergency Financial Manager, announced in an “All Employee Memorandum” circulated to all DPS employees and posted on the EFM and OIG websites. The OIG has begun employee training on the WPA starting with DPS cabinet staff and their subordinates and school principals. The principals have been instructed to train their individual school employees. All employees are being instructed to report WPA matters to their supervisors, the Office of General Council or the OIG. A memorandum acknowledging receipt of WPA and Employee Code of Ethics is being executed by each trained employee and filed in their personnel file.</li>   <li>• Proactive Forensic data analysis will be conducted by the Deputy IG for Audits utilizing ACL following training on the various PeopleSoft modules utilized by DPS. Training is scheduled to begin 5/11/09 and last for approximately one week.</li> </ul>

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		<p>Initial proactive audits will be conducted in Payroll and Vendor Accounts with specific emphasis in areas identified through previously conducted investigation, interviews and hotline tips.</p> <ul style="list-style-type: none"> <li>• The OIG has instituted responsive controls such as internal investigation protocols, enforcement and accountability protocols, and remedial protocols.</li> <li>• The OIG and the Auditor General (AG) meet each week to exchange information relating to ongoing audits and OIG investigations. During these meetings the AG is apprised of any perceived lack in policy or procedure of controls disclosed during the course of ongoing OIG investigations and inquiries. To date those areas identified to the AG include contracting, purchasing, school accounting, warehousing, inventory procedures and the need for payroll automation.</li> <li>• In advance of a formal Case Management System having been developed, the OIG established an</li> </ul>

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		<p>Excel spreadsheet which lists each case by file number, subject, Special Investigator assigned, date assigned, and case status. The spreadsheet is available on the "I" Drive for review and input by the IG and the DIG. The IG meets weekly with the Deputy Inspectors General (DIG) for the purpose of reviewing the status of each ongoing investigation. Prior to the meeting, the DIG prepares an updated case status sheet highlighting the results of investigations during the past week. Appropriate ticklers are set to ensure follow-up as directed by the IG.</p> <ul style="list-style-type: none"> <li>• The IG implemented a formal Case Management System in July.</li> <li>• A monitoring system is in place to continuously evaluate and reduce fraud risk. That multi-faceted system includes:             <ul style="list-style-type: none"> <li>- Daily monitoring of telephone and email hotlines,</li> <li>- Analyzing data obtained during the course of ongoing investigations and interviews,</li> <li>- Weekly discussions between IG and DIG involving the status of ongoing investigations and potential areas of fraud uncovered,</li> <li>- Weekly meetings with the AG to</li> </ul> </li> </ul>

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		<p>exchange information on ongoing audits and investigations and to discuss gaps in policy, procedures and controls which could lead to fraud,</p> <ul style="list-style-type: none"> <li>- Maintenance of regular contacts with federal, state and local law enforcement agencies, prosecutors and news media to identify areas of fraud, waste and abuse.</li> </ul> <ul style="list-style-type: none"> <li>• This monitoring process is ongoing and will be supplemented in 2010 with a formal risk management analysis involving substantive interviews of various DPS administrators, contractors, vendors and other stakeholders, relative to their concerns and observations as to the potential for fraud, waste and abuse.</li> </ul>

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<p><b>2008-04: Individual Schools -Cash and Disbursements Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-27</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>During our tests of individual school cash transactions, we noted the following: 1) cash receipts are not deposited in a timely manner, 2) cash turned in to the bookkeeper/secretary lacks supporting documentation/detail, 3) proper documentation is not maintained for disbursements, as such the supporting documentation does not agree to the actual disbursement amount, 4) the schools do not have staff with the appropriate knowledge to properly maintain the school accounting records, 5) the schools do not use a standard accounting system for record keeping, thus resulting in poorly maintained and inconsistent records, 6) the schools do not adhere to the District's policies and procedures regarding proper documentation of accounting records and forms, and 7) not all schools prepare bank reconciliations and when such reconciliations are performed, evidence of approval is not consistently documented.</p> <p><b><u>Recommendations:</u></b></p> <p>Standardized procedures relating to the recording of cash and disbursement by schools should be established and enforced by the District.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Develop cash management policies and procedures which include:           <ol style="list-style-type: none"> <li>a. Proper segregation of duties,</li> <li>b. Handling and safeguarding of cash receipts,</li> <li>c. Requirement that copies of supporting documentation for all cash receipts are maintained,</li> <li>d. Timely deposit of cash receipts,</li> <li>e. Performance and review of monthly bank reconciliations.</li> </ol> </li> <li>2. Develop standard operating procedures regarding proper documentation of accounting records and forms and proper authorization and approvals by school principals.</li> <li>3. Conduct training on the policies and procedures manuals developed to applicable school staff.</li> <li>4. Establish a monitoring system to follow-up on bank reconciliations which are not submitted on a monthly basis.</li> <li>5. Establish a notification plan to senior central office management of delinquent bank reconciliations.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has developed a draft copy of bookkeeping guidelines and a procedures manual which addresses CAP numbers 1 &amp; 2. The Department will review the manual for accuracy and completeness and implement it at the various schools.</li> <li>• The CFO has decided to conduct all training after the District's reorganization has been completed.</li> <li>• A monitoring system has been established by the Accounting Department to follow-up on bank reconciliations which are not submitted by the schools on a monthly basis. Also, notification is sent to Senior Central Office management regarding delinquent bank reconciliations. This addresses CAP numbers 4 &amp; 5.</li> </ul>

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<p><b>2008-05: Accounts Payable – Review Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>We identified non-standard balances in the accounts payable detail (debit balances), and found that such items are not assessed for potential reclassification, or to determine the underlying cause of the non-standard balance.</p> <p><b><u>Recommendations:</u></b></p> <p>The monthly closing process should include a review of the accounts payable detail to determine if unusual items (high dollar amounts, unusual vendors, debit amounts, etc) exist, and appropriate reclassifications made as necessary.</p>	<p>The Accounting Department will review Accounts Payable detail as part of the monthly closing process to correct improper classification.</p>	<ul style="list-style-type: none"> <li>• The Accounting Department currently reviews the accounts payable detail report for non-standard balances on a monthly basis.</li> </ul>

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<p><b>2008-06: Accounts Payable -Sub-ledger Reconciliation</b>  <b>Financial Reporting</b>  <b>Prior Year Finding: 2007-11</b>  <b>Material Weakness</b>  <u><b>Condition:</b></u>            We initially received an Accounts Payable aging and reconciliation that agreed to the Accounts Payable general ledger control account. However, when we received the District's final trial balance, the accounts payable aging did not agree with the control account. Accounts Payable cutoff should have been closed as of August 31, 2008, and no additional adjustments should have been made to the ledger detail, other than manual accruals to properly reflect liabilities at year end. A new reconciliation was not prepared by the District to agree the detail to the adjusted general ledger balance.</p> <p><u><b>Recommendation:</b></u>            Reconciliations should be performed each time adjustments are made that impact the account detail or control account.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Reconcile accounts payable aging to the general ledger on a monthly basis after completion of journal entries.</li> <li>2. Establish a review and approval process for reconciliation of accounts payable. This process will include updating reconciliations for subsequent general ledger adjustments.</li> <li>3. Resolve accounts payable reconciling items in a timely manner.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounts Payable Department has updated its process to include the reconciliation of accounts payable aging to the General Ledger account.</li> </ul>

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<p><b>2008-07: Accounts Payable – Overstatement Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>We found that vouchers modified subsequent to June 30, 2008 were appearing in the accounts payable aging twice. If an existing voucher in the accounts payable system is modified, the system creates a new voucher with the modified information and does not delete or replace the old voucher. If the modifications are made within the same month as the original posting, this error is self correcting. However, if the modification is made in the month following original entry of the voucher, a duplicate voucher will result.</p> <p><b><u>Recommendation:</u></b></p> <p>Posting of invoices should be reviewed prior to month end to avoid or minimize the need for subsequent modifications. Modification of the system to implement an automated control that prevents creation of a duplicate invoice should be pursued.</p>	<p>The Accounting Department determined that modification of the system is not required to prevent the creation of duplicate invoices because the wrong fiscal year was used during the unposting process.</p> <p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Create a procedure guide for all accounts payable personnel who are authorized to perform this function.</li> <li>2. Train new staff to process vouchers in the system using the correct dates.</li> <li>3. Run a detailed report of transactions processed, then review and correct any errors.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounts Payable Department has created a procedure guide for all staff who process invoices and A/P transactions.</li> <li>• The Supervisor of Accounts Payable has trained A/P staff on how to change the default settings in the accounting system to indicate the correct funding source. The staff will be retrained at year-end to ensure that FY 2009 transactions processed in FY 2010 are processed correctly.</li> <li>• A detailed report of transactions processed will be run at year end and reviewed for accuracy; any errors will be corrected. This process will continue throughout the closing process.</li> </ul>

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<p><b>2008-08: Accounts Payable – Cutoff            Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-05</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>The cutoff procedures used to capture and record invoices in the proper accounting period are not effective. We identified invoices that were both improperly included and excluded from accounts payable at year end. Further, the District continued to adjust accounts payable subsequent to its stated cutoff date of August 31, 2008.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that control activities that ensure proper cutoff be evaluated for effectiveness. For example, year-end cutoff could be improved by requiring those who approve invoices for payment to stamp them with a “before year end” or “after year end” stamp, or a color coded stamp to reflect the proper accounting period.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Establish a review process for all accounts payable transactions processed at year end.</li> <li>2. Develop a system of determining entries that must be processed “before year end” or “after year end”. This can take the form of a color coded date stamp to reflect the proper accounting period.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has established a monthly review process for all A/P transactions with non-standard debit balances.</li> <li>• The department has also purchased a color coded date stamp that will be used to indicate the correct funding source on documents. This process will ensure that transactions are charged to the proper accounting period.</li> </ul>

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<p><b>2008-09: Classification of Construction in Process (CIP)</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>There is a lack of controls over construction in process project classification. When a project is completed, the accounting department is not notified; therefore, there could be a lapse in time from the time the project is completed to when the District records the project as “in service”. This lack of control also affects the District’s ability to properly record depreciation.</p> <p><b><u>Recommendation:</u></b></p> <p>Each major component of District-wide projects should be reclassified into depreciable status when placed into service. The accounting policies of the District should be modified to reflect this change.</p>	<p>The Accounting Department has done the following:</p> <ol style="list-style-type: none"> <li>1. Reclassified completed projects identified during the CAFR audit into depreciable status through its ASSETMAX system, which resulted in the recalculation of depreciation based on project completion dates.</li> <li>2. On February 11, 2009 DPS requested that PMT provide the Accounting Department with District-wide project cost distributions by school, with school project completion dates to ensure that those costs are entered into depreciable status at the appropriate time.</li> </ol> <p>In addition to the above steps, the Accounting Division will:</p> <ol style="list-style-type: none"> <li>1. Modify its existing procedures for capitalizing projects to incorporate procedures to identify when major components of District-wide projects should be capitalized. The existing procedure is titled “Transfer of Bond Costs into Depreciable Assets.”</li> <li>2. Obtain data needed from PMT so that District-wide project costs for major components are moved to depreciable asset status when placed into service.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has modified the existing procedures for capitalizing projects by incorporating procedures for the identification of major components of District-wide projects to be capitalized.</li> <li>• The Department has also obtained from DPSPMT, a listing of schools with dates completed so that District-wide project costs can be moved to depreciable asset status when placed into service.</li> </ul>

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<p><b>2008-10: Capital Assets – Depreciation Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>We noted that \$168,769,158 was transferred out of Construction In Process and capitalized as of the midyear date of January 1, 2008. However, the amount of CIP capitalized consisted of a significant amount of assets that had been placed into service and should have been depreciated prior to July 1, 2007, based on the District’s stated depreciation policy. For example, some of these assets were placed into service as far back as 2001. The impact was to initially understate accumulated depreciation by \$12,799,498.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should analyze its capital asset additions, especially those in construction in process, and begin depreciation in accordance with District policy on those assets placed into service.</p>	<p>The Accounting Department has reclassified completed projects which were identified during the FY 08 CAFR audit into depreciable status.</p> <p>In addition to the above step, the Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Modify its existing procedures for capitalizing projects to periodically identify both projects that are closed and also substantially complete, and begin depreciation when the project/school is placed into service.</li> <li>2. Review the list of projects that are substantially complete in addition to reviewing the formally closed-out list, and begin depreciation when the project/school is placed into service, then make any necessary adjustments when the project is formally closed out.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has modified the procedures for capitalizing projects to periodically identify both projects that are closed and substantially complete and begin depreciation when the project/school is placed into service.</li> <li>• The DPS Program Manager Team (DPSPMT) provided a list of projects to the Accounting Department for the Fiscal Year 2009 Comprehensive Annual Financial Report (CAFR).</li> </ul>

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<p><b>2008-11: Capital Assets - Impairment Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>There is no process to track capital assets that were disposed other than those included in the school closing list. Impairment analysis initially prepared by the District did not include all closed sites.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should establish control activities to identify assets that have been removed or otherwise impaired at schools and other business locations, and that financial records are updated to reflect changes. An impairment analysis of closed sites should also be completed and retained during the fiscal year that the school is closed. Such procedures would be part of overall activities that periodically reconcile the recorded balances of capital assets to verification of physical existence.</p>	<p>The Accounting Department will perform:</p> <p><u>Capital Asset Tracking</u></p> <ol style="list-style-type: none"> <li>1. Develop an asset tracking system or database to capture all capital assets.</li> <li>2. Develop Capital Asset Inventory Management policy and procedures on identifying, recording, processing and reporting of capital assets.             <ol style="list-style-type: none"> <li>a. These procedures will also include acquisition authority and approval levels, decommissioning procedures, asset transfer, asset disposal, accounting treatment from various fund sources, asset locations and processes for trade-ins, donation, and asset scrapping.</li> <li>b. All procedures developed will be in compliance with Federal and Michigan State requirements pertaining to capital assets management and records retention.</li> </ol> </li> </ol> <p><u>Asset Inventory</u></p> <p>Conduct physical inventory of all capital assets, enter inventory data into the database and reconcile to the general ledger. This will be done at least every two years.</p> <p><u>Test Asset Impairment</u></p> <p>The Accounting Department will adopt GASB #42 which states that impaired capital assets that are no longer used will be reported at the lower of carrying value or fair value, impairment losses will be reported, and impaired capital assets that are idle will be disclosed.</p>	<ul style="list-style-type: none"> <li>• The Accounting Department has contracted with AssetWorks to provide capital assets management assistance. AssetWorks has established a comprehensive, ongoing fixed assets inventory and management plan that includes the following:             <ul style="list-style-type: none"> <li>- Accurate additions, transfers and disposals of assets</li> <li>- District-wide annual update service to account for current year capital asset additions (both general and grant funded)</li> <li>- District-wide, on-site re-inventory of all capital assets (both general and grant funded) – completed as a result of an Office of Grant Compliance project</li> <li>- Continued use and support of asset management system currently in use by the District</li> <li>- Development of a capital asset property control manual</li> <li>- Performance of assets valuations</li> </ul> </li> <li>• The CFO has hired a staff accountant to perform fixed and capital assets management.</li> </ul>

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<p><b>2008-12: Payroll - Stipends and Bonus Pay Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>Payments made to employees who are eligible to receive earnings related to stipends and special bonus pay, as determined by their respective union contracts, were expensed in the year subsequent to when earned. The District's current practice for stipends and bonus pay is to record them as expenses in the year that they are paid, rather than accruing for the amounts in the year they were earned.</p> <p><b><u>Recommendation:</u></b></p> <p>Individuals responsible for establishing accounting policies and practices should be experienced and well-trained. Management of the District should review all of its accounting policies and practices to ensure compliance with GAAP and the Michigan Public School Accounting Manual.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Update the accounting policies and procedures to ensure that stipends and bonus pay expenses are accrued in the year they are earned rather than the year paid in compliance with GAAP.</li> <li>2. Review stipends and bonus pay disbursements made after year end to ensure that they are properly recorded in compliance with GAAP.</li> <li>3. Train employees on the updated policies and procedures.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has updated the accounting policies and procedures to include bonus and stipend accrual procedures.</li> <li>• The Deputy CFO has reviewed stipends and bonus pay disbursements made after year end to ensure that they are properly recorded and in compliance with GAAP.</li> <li>• The CFO has scheduled training in Fiscal Year 2009-10 as policies and procedures are updated.</li> </ul>

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<p><b>2008-13: Entity Level, System of Controls Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The District does not have a fully developed and documented system of internal control over Financial Reporting that is based upon the COSO model.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District formally implement COSO framework of internal control over financial reporting, including completion of formal, written documentation for each COSO element, and clear identification of policies and procedures to prevent and detect fraud.</p>	<ol style="list-style-type: none"> <li>1. The three primary objectives of an internal control system are to ensure:           <ol style="list-style-type: none"> <li>a. Efficient and effective operations.</li> <li>b. Accurate financial reporting.</li> <li>c. Compliance with laws and regulations.</li> </ol> </li>   <li>2. The COSO framework outlines five essential components of an internal control system:           <ol style="list-style-type: none"> <li>a. The Control Environment, which establishes the foundation for the internal control system by providing fundamental discipline and structure.</li> <li>b. Risk Assessment which involves the identification and analysis of relevant risks to achieving predetermined objectives.</li> <li>c. Control Activities or the policies, procedures, and practices that ensure management objectives are achieved and risk mitigation strategies are implemented.</li> <li>d. Information and Communication of key financial objectives along with corresponding control activities and accountabilities.</li> <li>e. Monitoring by management or parties outside the process; or the application of independent methodologies like customized procedures or standard checklists by employees within a process.</li> </ol> </li>   <li>3. The Single Audit stated that there is a significant deficiency in internal controls over financial reporting. DPS will prioritize the internal control weaknesses and begin to develop specific and detailed corrective actions, including the following:           <ol style="list-style-type: none"> <li>a. Effective monthly ledger closing and</li> </ol> </li> </ol>	<ul style="list-style-type: none"> <li>• The CFO has developed a work plan for the implementation of COSO framework of internal control over financial reporting.</li>   <li>• The Emergency Financial Manager has hired an Inspector General (IG) effective March 23, 2009 who is tasked with adopting a comprehensive and integrated approach to fraud risk management among other duties. This process includes policies and procedures to prevent and detect fraud. The IG has put control mechanisms in place which include prevention controls, detection controls and responsive controls. These actions have been enumerated in the response to Finding Number 2008-03.</li>   <li>• The Emergency Financial Manager has also hired an Auditor General effective March 23, 2009, whose responsibilities include monitoring internal controls. The AG has performed a preliminary risk assessment and identified high risk areas. These are indicated in Finding Number 2008-02.</li>   <li>• The CFO is currently updating the policies and procedures for the Accounting Department and various departments of the Finance Office. These policies and procedures will be integrated in the COSO framework.</li> </ul>

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	<p>reporting process throughout the year.</p> <ul style="list-style-type: none"> <li>b. Account reconciliations will be performed routinely throughout the year.</li> <li>c. Determine which of the manually intensive DPS' financial processes can be automated.</li> <li>d. Institute adequate information technology general application controls, including controls over security, user access, change management, data back-up and disaster recovery.</li> <li>e. Maintain documentation to support transactions in a consistent manner.</li> <li>f. Institute internal controls to ensure full compliance with required federal cost and administrative circulars, rules, and regulations.</li> </ul>	

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<p><b>2008-14: Budget Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During our review of manual journal entries, we noted that a payroll related budget overrun under a state grant program was not budgeted in the general fund.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that management implement budgetary procedures to ensure anticipated overruns on grant programs are identified and included in the general fund budget. We further recommend that management implement a budgetary monitoring system whereby unexpected overruns are identified timely and appropriate budget amendments are made.</p>	<ol style="list-style-type: none"> <li>1. The Office of Grant Compliance will implement a system modification to ensure that expenditures cannot be charged to grant budgets (Fund 14) if there is no budget set up. This will prevent Accounting or Budget Departments from establishing expenditures against an account that has no budget set up.</li> <li>2. The Office of the CFO will implement a policy that the Office of Compliance should approve all late charges to any grant funded budget especially after the current fiscal year funding period has expired.</li> </ol>	<ul style="list-style-type: none"> <li>• The District has established a task force to implement budgetary policies and procedures including the use of a position control system to monitor human resource budget throughout the fiscal year.</li> <li>• The Office of Budget forwards a negative balance report to the Office of Grant and Compliance for correction.</li> <li>• The Office of Grant Compliance has submitted a BUR to the IT Department. The purpose of the BUR is to configure PeopleSoft to prevent charges from being made to grant line items if no budget is set up.</li> <li>• The CFO has developed a directive and policy instructing Accounting and Budget staff to submit all late charges to the Office of Compliance for approval prior to charging to grants.</li> </ul>

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<p><b>2008-15: Human Resources and Benefits Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>In comparing three separate lists of people with access to create/change employee records, create/change payroll sheets, and run pay cycles we found two separate individuals that had access to perform all three functions.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should establish clear procedures to determine which Human Resources and Payroll security roles within PeopleSoft should be segregated. These procedures should be included as part of the process of review that is used to obtain security access.</p>	<p>The Security Administrator will:</p> <ol style="list-style-type: none"> <li>1. Verify Wayne Washington's access profile to ensure that he is restricted from the HR production environment.</li> <li>2. Verify the access profile of the Executive Director, Financial Systems and Network to ensure that he is restricted from changing job classification and compensation at the employee level.</li> <li>3. In conjunction with the Functional Heads, the Security Administrator will perform periodic reviews of the user Access Control List (ACL) to ensure that user rights and permissions are commensurate with their duties and responsibilities. The concept of "least privilege" will be adopted where users will have minimum rights and permission to enable them to perform their job and responsibilities. Additionally, the District will ensure that access to information is provided on a "need-to-know" basis.</li> </ol>	<ul style="list-style-type: none"> <li>• The access rights for the Program Supervisor, Payroll has been removed from PeopleSoft. This employee was terminated on 3/20/09.</li> <li>• The access rights for the Executive Director, Financial Systems and Network has been restricted. He can no longer modify job classification and or compensation data.</li> </ul>

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<p><b>2008-16: Individual Schools – Cash Receipts Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>Certain schools do not consistently remit cash receipts to the central accounting office for revenue received from sporting events and other related activities.</p> <p><b><u>Recommendation:</u></b></p> <p>Policies and procedures prescribed by the District for schools should be enforced and monitored.</p>	<p>In conjunction with the Corrective Action Plan for Finding Number 2008-04, the Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Develop / update policies and procedures for cash revenue received from sporting events and other related activities.</li> <li>2. Conduct training on the policies and procedures which are developed.</li> <li>3. Develop a periodic monitoring process to report those schools that do not remit cash receipts to the Central Accounting Office.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has drafted a bookkeeping guidelines and procedures manual for the schools. This manual will include the handling of cash receipts from sporting events and other related activities.</li> <li>• The Finance Division will conduct training on the manual in Fiscal Year 2010.</li> <li>• A monitoring system has been established by the Accounting Department to follow-up on bank reconciliations which are not submitted by the schools on a monthly basis. Also, notification is sent to Senior Central Office management regarding delinquent bank reconciliations. This addresses CAP numbers 4 &amp; 5.</li> </ul>

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<p><b>2008-17: Investment Management - Reporting Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-28</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>Based on our test of investments and inquiry of management, we noted that the quarterly investment reports are not being prepared, as required.</p> <p><b><u>Recommendation:</u></b></p> <p>The quarterly reports should be prepared and reviewed in accordance with District policy.</p>	<p>The Accounting Department prepares monthly reconciliation of investment statements to the General Ledger. In addition to this, the Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Designate a staff member whose duties would include ensuring that timely monthly and quarterly statements are received from the investment bank.</li> <li>2. Designated staff member will obtain and review the monthly and quarterly statements to ensure compliance with DPS Investment policy.</li> <li>3. Designated staff member will prepare a quarterly investment report no later than the 15th day following each quarter. The report will include the following:             <ol style="list-style-type: none"> <li>a. A listing of individual securities held at the end of the reporting period.</li> <li>b. Average weighted yield to maturity of portfolio on District investments as compared to applicable benchmarks.</li> <li>c. The percentage of the total portfolio that each type of investment represents.</li> <li>d. The percentage of the total portfolio that each institution is holding.</li> <li>e. The principal and type of investment by fund.</li> </ol> </li> <li>4. Management will prepare, review and approve investment reports for FY 09.</li> <li>5. Management will review and approve the quarterly investment reports on an on-going</li> </ol>	<ul style="list-style-type: none"> <li>• The CFO has hired a cash management specialist effective July 1, 2009, who will ensure that monthly and quarterly statements are received.</li> <li>• The cash management specialist will prepare investment reports, which will be reviewed and approved by the CFO or his designee.</li> <li>• The CFO has developed a template to be used in the preparation of investment reports.</li> </ul>

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	basis.	

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<p><b>2008-18: Investments - Written Policies Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>Based on our tests of investments, we noted no formal written documentation describing the control activities which should be performed relating to the initiation and authorization, processing and recording, or monitoring and reconciliation of investments.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should document its investment control activities relating to initiating, authorizing, processing, recording, monitoring, and reconciling. Procedures should clearly identify responsibilities, accountabilities, and key controls over the investment transaction cycles.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Develop detailed procedures which describe how assigned staff will initiate, process, record, monitor, reconcile and authorize investment transactions, duties, and reports, including the following:           <ol style="list-style-type: none"> <li>a. Initiation of transactions will only be done by authorized persons. The investment bank will be provided with a list of names of persons who are authorized to initiate transactions on behalf of DPS, and this list will be updated every time there are corresponding staff changes.</li> <li>b. Processing of transactions - there will be clear designation of duties and maximum processing time limits established for each type of transaction.</li> <li>c. Monitoring will take the form of managerial review and approval of transactions, reports, and reconciliations.</li> </ol> </li> <li>2. Establish segregation of duties so that individuals who initiate investing or borrowing transactions cannot:           <ol style="list-style-type: none"> <li>a. Approve investing or borrowing transactions.</li> <li>b. Record investing or borrowing transactions.</li> <li>c. Reconcile investing or borrowing accounts</li> </ol> </li> <li>3. Prohibit employees from purchasing or selling personal securities through DPS' executing broker.</li> <li>4. Establish an investment committee to</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has developed policies and procedures for the District's investment activities.</li> </ul>

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	periodically review investments to ensure that these comply with any restrictions or limitations imposed by laws, funding sources, or other Federal and Michigan State regulations.	

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<p><b>2008-19: Other Receivable - Reconciliation Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The prior year other accounts receivable balance of \$1,910,633 was carried over to the current year. The balance had not been reviewed throughout the year to determine collectability, nor to ascertain if the supporting detail was appropriate. The entire balance of the account was written off as a result of the audit inquiry.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should maintain a supporting aging for other accounts receivable, and require periodic reconciliation of the general ledger control account to such supporting aging; management review and approval of the periodic reconciliations should be performed.</p>	<p>A reconciliation of receivables to the General Ledger is done monthly. In addition to this, the Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Establish a process for review and approval of the monthly reconciliation.</li> <li>2. Maintain an aging report for receivables.</li> <li>3. Follow-up on outstanding receivables for timely collection.</li> <li>4. Develop a reporting process to management for receivables which are not collected timely.</li> <li>5. Establish a write-off policy for receivables deemed uncollectible.</li> </ol>	<ul style="list-style-type: none"> <li>• As noted by the auditors, the balance of this account was written off in Fiscal Year 2008. This account has zero balance in Fiscal Year 2009.</li> </ul>

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<p><b>2008-20: Capital Assets - Use of Service Organizations (Capital Assets and Workers Compensation) Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-19</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The District uses a service organization to maintain asset records, including computation of depreciation, in support of asset values contained within the general ledger; the District also uses a service organization to maintain workers compensation records in support of benefits expense/liability amounts in the general ledger. Management has not formally evaluated controls in place at the service providers, and neither service provider has a Type II SAS 70 report. However, management has made an initial visit to the workers compensation service organization as a first step in an on-going monitoring program. Further, the District does not currently have a process or timeline to periodically review and approve policies, procedures, and methods of calculation related to depreciation that are performed by its third party service provider.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should implement procedures for the periodic review and evaluation of service providers' internal control, which could include obtaining a Type II SAS 70 report from the provider. In addition, the District should also establish a process to review the policies, procedures, and methods of calculation of depreciation performed by its third party service provider on a regular basis.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Obtain and review the service level agreement (SLA) for all service providers.</li> <li>2. Evaluate the SAS 70 testing for relevance.</li> <li>3. Develop procedures to evaluate the SAS 70 reports and also perform follow-up on exceptions.</li> <li>4. Require that service organizations provide a Type II SAS 70 report as part of their agreement or contract.</li> </ol>	<ul style="list-style-type: none"> <li>• The CFO has obtained the SAS70 reports for Ceridian and AssetWorks. The reports cover the period from October 1, 2007 - September 30, 2008 and January 1, 2008 - December 31, 2008 respectively. Since DPS fiscal year ends in 6/30/09, the CFO will obtain SAS70 reports for the period not covered in Fiscal Year 2009.</li> <li>• The CFO evaluated the SAS70 report for AssetWorks to determine whether AssetWorks maintained adequate and effective controls over services provided to the District. He observed that the SAS70 report covers only six months of DPS' fiscal year from June 1, 2008 to December 31, 2008. He also noted that application control tests relating to the critical process of the calculation of depreciation, asset impairment and valuation were not covered in the report.</li> <li>• The CFO has developed policies and procedures for evaluating SAS70 reports.</li> <li>• The policies and procedures include a requirement that the CFO will determine which service organizations should submit SAS70 reports and include it as part of their agreement.</li> </ul>

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		<ul style="list-style-type: none"> <li>The CFO has performed an evaluation of the SAS70 for AssetWorks.</li> </ul>
<p><b>2008-21: Construction in Progress (CIP) – Reconciliation Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>We noted that the supporting detail for construction in progress provided by the District did not agree to the general ledger control account balance of \$4,669,556 as of June 30, 2008.</p> <p><b><u>Recommendation:</u></b></p> <p>Policies and procedures regarding periodic reconciliation of the construction in process detail to the general ledger should be established to ensure complete and accurate financial reporting.</p>	<p>The Accounting Department has done the following:</p> <ol style="list-style-type: none"> <li>Developed a procedure for summarizing the capitalization of projects including the capitalization of project overhead and reconciled the project ending balances to the report CIP balance in the General Ledger.</li> <li>Reconciled the 2008 CIP balance to the General Ledger.</li> </ol> <p>In addition to the above steps, the Accounting Department will develop a procedure for summarizing the capitalization of projects including the capitalization of project overhead and reconcile the project ending balances to the report CIP balance on a yearly basis.</p>	<ul style="list-style-type: none"> <li>The Accounting Department has developed a procedure for summarizing the capitalization projects including the capitalization of project overhead.</li> <li>Going forward, a reconciliation of the project ending balances will be reconciled to the CIP Report on a yearly basis.</li> </ul>

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<p><b>2008-22: Capital Leases            Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b>Condition:</b></p> <p>The District does not retain copies of lease agreements for copier leases.</p> <p><b>Recommendation:</b></p> <p>Policies and procedures regarding contract management should be reviewed to ensure that they are properly designed to achieve the commercial objectives of the District.</p>	<p>Contracting &amp; Procurement (C&amp;P) will do the following:</p> <ol style="list-style-type: none"> <li>1. Prepare a list of copiers and their associated vendors.</li> <li>2. For leased equipment, obtain all supporting lease agreements.</li> </ol>	<ul style="list-style-type: none"> <li>• Contracting and Procurement will conduct an inventory of all copier leases to ensure that copies of leases/agreements are retained in compliance with DPS document retention policy.</li> </ul>

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<p><b>2008-23: Accounts Payable – Manual Accruals Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b>Condition:</b>            Individual schools pay for athletic services such as coaching and officiating and subsequently request reimbursement for the expenditures from the central office. During our expenditure testing, it was noted that two invoices from an individual school were not correctly included in payables at June 30, 2007 and, therefore, when paid by the District, were improperly recorded as expenditures of fiscal year 2008.</p> <p><b>Recommendation:</b>            Standard procedures should be drafted and implemented at the individual schools to ensure timely collection of invoices and reimbursement requests from the schools. A monitoring process should be implemented to ensure procedures are followed consistently throughout the District.</p>	<p>The Accounting Department will draft standard operating procedures for invoices and reimbursement requests and implement these at individual schools. These procedures will include:</p> <ol style="list-style-type: none"> <li>1. Communication to the schools stating that no reimbursements will be processed for transactions outside the current fiscal year.</li> <li>2. Communication advising official cut-off dates for submitting reimbursements.</li> <li>3. Conduct training sessions on the standard operating procedures at the individual schools at least annually.</li> <li>4. A reporting process to management of those schools that do not submit timely reimbursement requests.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has developed standard operating procedures for invoices and reimbursement requests, and implemented these at the individual schools. These procedures include:             <ul style="list-style-type: none"> <li>- Communication to the schools stating that no reimbursements will be processed for transactions outside the current fiscal year.</li> <li>- Communication advising officials of the cut-off dates for submitting reimbursements.</li> <li>- A reporting process has been established to inform management of those schools which do not submit requests in a timely manner.</li> </ul> </li> </ul>

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<p><b>2008-24: Accounts Payable – Manual Accruals Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>Manual accruals are not properly supported by summarizations of the underlying invoices to ensure mechanical accuracy (such as by using a summary spreadsheet). Manual accruals did not always mechanically agree to supporting invoices, nor was evidence present that manual accruals were properly reviewed for mechanical accuracy, and to ensure that the manual accrual did not duplicate amounts already included in accounts payable.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should consider utilizing a spreadsheet to total the supporting invoices. This spreadsheet should be retained and attached to the related journal entry.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Develop a spreadsheet for all manual accruals with supporting documentation.</li> <li>2. Establish a review and approval process for accruals.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has developed a standard spreadsheet to be used for all manual accruals with supporting documentation.</li> <li>• A review and approval process has been established for accruals.</li> </ul>

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<p><b>2008-25: Payroll - Accounting and Reconciliation Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The District prepared 39 payroll-related reconciliations for the current year. During our walkthrough of this process we noted that reconciling items exist from as far back as fiscal year 2003.</p> <p><b><u>Recommendation:</u></b></p> <p>Payroll accounting personnel should perform reconciliations on a monthly basis and all reconciling items should be addressed in the same period as the reconciliation. All reconciliations should be signed by both the “Preparer” and “Approver” during the period of reconciliation.</p>	<p>To perform the US Savings Bond Account reconciliation, the IT Department will:</p> <ol style="list-style-type: none"> <li>1. Determine whether the following two reports can be generated:           <ol style="list-style-type: none"> <li>a. US Savings Bond Employee Deduction ‘Suspense Report’ (inactive deductions) from 6/11/04 to date. This Report should contain names of employees who have discontinued regular payroll deductions before maturity to purchase the US Savings Bonds. The fields required in the report are: employee name, employee ID, social security number, pay period end date, the deduction amount and accumulated total to date.</li> <li>b. Outstanding US Savings Bond payroll deduction waiting for maturity to purchase (active deductions) from May 2008 to date. This report should contain names of employees who are still making contributions but have not made enough contributions to purchase the bonds. The fields required in the report are: employee name, employee ID, social security number, pay period end date, the deduction amount and accumulated total to date.</li> </ol> </li> <li>2. Create a report providing the above information for the reconciliation.</li> </ol> <p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Reconcile the above reports to the US Savings Bond Account in the GL on a monthly basis.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has documented the accounting controls and procedures for the reconciliation of the U.S. Savings Bond Account.</li> <li>• The Accounting Department has performed an analysis of the transaction activities of the US Savings Bond Account from July 11, 2004 to the pay period ending June 12, 2009.</li> <li>• The Accounting Department has performed a reconciliation of the US Savings Bond Activity Reports to the US Savings Bond G/L Account.</li> </ul>

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	2. Implement procedures for the reconciliation to be reviewed and approved by a supervisor.	

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<p><b>2008-26: Accrued Payroll - Garnishments Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During tests of the garnishment accrual, we noted that a complete and accurate reconciliation between the underlying garnishment supporting documents and the general ledger was not performed. We noted that the unpaid garnishment liability was approximately \$339,655; however, the balance of the general ledger was \$611,489, resulting in an overstatement of \$271,834.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the supporting documents related to the garnishment liability be reconciled to the general ledger on a monthly basis and all differences discovered be investigated and resolved immediately.</p>	<p>The Accounting Department will need additional reports to reconcile this account.</p> <p>The Executive Director of Financial Systems and Network will provide the following report to the Accounting Department on a monthly basis:</p> <ol style="list-style-type: none"> <li>1. Garnishment Acct 245210 G/L Activity Report, summarizing transactions by date and A/P Journal number.</li> </ol> <p>The A/P Department will provide the Accounting Department the following reports:</p> <ol style="list-style-type: none"> <li>2. A Check-Run reconciliation.</li> <li>3. A spreadsheet summarizing all voided checks</li> </ol> <p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>4. Reconcile the garnishment liability balance on the G/L to the Activity Reports.</li> <li>5. Ensure that the reconciliation is reviewed and approved.</li> </ol> <p><b><u>Long Term:</u></b></p> <p>IT will create a Garnishment Account 245210 G/L Activity Report summarizing transactions by date and A/P Journal number.</p>	<ul style="list-style-type: none"> <li>• The Accounting Department has documented the garnishment accrual process.</li> <li>• The Accounting Department has performed an analysis of the Transaction Activity Reports of the Garnishment Liability Account.</li> <li>• The Accounting Department has performed a reconciliation of the Garnishment Transaction Activity Report to the General Ledger.</li> </ul>

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<p><b>2008-27: Compensated Absences            Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-14</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During tests of the sick and vacation pay accruals, we noted that an incorrect hourly rate was used to calculate the sick pay and vacation pay accrual for five employees. It was also noted that nine employees were improperly included in the vacation accrual.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that management improve the control activities to ensure the accruals are complete, accurate and reflect properly authorized transactions.</p>	<p>HR explained that errors were made when job classification forms were entered into the system.</p> <ol style="list-style-type: none"> <li>1. HR will ensure that an appropriate level of review is performed after job classification entries have been made.</li> <li>2. The Accounting Department will ensure that sick and vacation pay accrual calculations are reviewed.</li> </ol>	<ul style="list-style-type: none"> <li>• The CFO has communicated with the Human Resources Department to process all Personnel Action Forms before June 30, 2009. This will ensure that the correct job classification codes and rates are used for the calculation of sick and vacation pay accruals at the end of the fiscal year.</li> <li>• The Accounting Department has documented Accounting Controls Policies and Procedures for the calculation and reporting of Compensated Absences.</li> </ul>

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<p><b>2008-28: Payroll – Expenditure Processing Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-14</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>Formal documentation does not exist to support management’s review and approval of the various aspects of the payroll cycle.</p> <p><b><u>Recommendation:</u></b></p> <p>Payroll management should implement a formal review and approval process.</p>	<p>The Payroll Office will develop a sign-off sheet to document formal review and approval of each stage of the payroll process cycle.</p>	<ul style="list-style-type: none"> <li>• The Payroll Office has developed and implemented a sign-off sheet which serves as formal documentation to support management’s review and approval of the various stages of the payroll cycle. This process was implemented April 4, 2009.</li> </ul>

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<p><b>2008-29: Accounting for Loss Contingencies – Legal Reserve Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-08</b></p> <p><b>Significant Deficiency</b></p> <p><b>Condition:</b></p> <p>During our evaluation of legal reserves, we noted that upon our initial request for the Litigation Analysis Report, the District did not provide proper documentation of an appropriate accounting assessment of legal reserves in accordance with FASB Statement No. 5.</p> <p><b>Recommendation:</b></p> <p>We recommend that management assess contingent liabilities based on the criteria contained in FASB Statement No. 5 and record accounting entries as appropriate.</p>	<ol style="list-style-type: none"> <li>1. The CFO (or designee) and General Counsel’s Office will meet periodically to assess potential litigation liability, and these meetings will provide the basis for establishing the legal reserves. The General Counsel’s detailed response to this finding is attached.</li> <li>2. The CFO and General Counsel’s offices will establish a mechanism to ensure timely submission of supporting documentation for the Litigation Analysis Report.</li> <li>3. The CFO or designee will evaluate the litigation, claims and assessments in determining whether accruals and or disclosure is required with respect to pending litigation and actual or possible claims and assessment.</li> <li>4. The CFO or designee will analyze the Litigation Analysis Report using the following factors outlined in FASB 5:             <ol style="list-style-type: none"> <li>a. The period in which the underlying cause of the pending litigation or threatened litigation or the actual or possible claim or assessment occurred.</li> <li>b. The degree of probability for an unfavorable outcome.</li> <li>c. The ability to make reasonable estimate of the amount of loss.</li> </ol> </li> <li>5. The CFO or designee will maintain all documentation mentioned above to support the conclusion for the accounting treatment. This documentation will be included in the closing package for review by external auditors.</li> </ol>	<ul style="list-style-type: none"> <li>• Article VII.6 “Ongoing Requirements – Pending Litigation Reports” of the Consent Agreement between DPS and Michigan Governor’s Financial Management Review Team mandates quarterly preparation of a Pending Litigation Report by the DPS for submission to Michigan Department of Education (DOE). A Pending Litigation Report is prepared by DPS’ Office of General Counsel to fulfill this requirement to Michigan DOE. A copy of this report is provided to the CFO. This report contains the factors outlined in FASB 5.</li> <li>• The Litigation Analysis Report has been analyzed by the Accounting Department in order to book the contingency reserves on the District’s books in accordance with FASB 5.</li> </ul>

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<p><b>2008-30: Workers' Compensation and General Liability Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The data provided by the District to the consulting actuary related to claims and litigation cases covered under the general liability did not allow for historical views of the claims and litigation cases process. Therefore, industry development patterns were applied and relied upon to estimate the general liability accrual. In addition, it was noted that the data provided to the consulting actuary for workers' compensation and general liability claims was incomplete.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that management improve the control procedures to result in a more consistent and thorough collection, maintenance, and reporting of data related to workers' compensation and general liability claims and litigation cases.</p>	<p>To prevent the submission of incomplete data to the actuary, the Office of Risk Management will:</p> <p><u>Workers' Compensation</u></p> <ol style="list-style-type: none"> <li>1. Implement the use of the 'claim type status' field in the workers' compensation management system to ensure that all workers' compensation claims with denied status are reported to the consulting actuary.</li> </ol> <p><u>General Liability</u></p> <p>In order to achieve a more consistent and thorough collection, maintenance, and reporting of data related to general liability accrual, Office of Risk Management will:</p> <ol style="list-style-type: none"> <li>1. Develop procedures for the submission of general liability data by schools and departments.</li> <li>2. Communicate the procedures to all schools and departments.</li> <li>3. Train school principals and other staff about reporting requirements to the district for data related to general liability claims.</li> <li>4. Communicate to the DPS legal department that they should report to the Office of Risk Management, all law suits filed against the District immediately regarding general liability claims.</li> <li>5. Develop a spread sheet to log all general liability and litigation cases. The fields, at a minimum,</li> </ol>	<ul style="list-style-type: none"> <li>• The Office of Risk Management has implemented the use of "claim type status" field.</li> <li>• The Office of Risk Management has drafted claims procedures which is undergoing the review and approval process.</li> <li>• The claims procedures will be communicated to all schools upon approval.</li> <li>• School Principals and other staff will be trained on reporting requirements for the general liability claims in Fiscal Year 2010.</li> <li>• The Office of Risk Management is conferring with the Legal Department to determine how all lawsuits will be reported to Risk Management.</li> <li>• The Office of Risk Management has developed a draft spreadsheet to log all general liability and litigation cases.</li> <li>• For long term, the Office of Risk Management is reviewing several options to gather and report data related to general liability claims and litigation cases.</li> </ul>

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	<p>should contain the following: Paid bodily injury losses, paid property damage losses, paid allocated loss adjustment expenses (legal and outside adjuster’s fees), paid recoveries, bodily injury case reserves, property damage case reserves, allocated loss adjustment expense reserves (legal and outside adjusters’ fees), accident date, report date, close date.</p> <p>6. Review the report prepared by Oliver Wyman – “Actuarial Study of General Liability and Workers Compensation Unpaid Claim Estimates as of June 30, 2008” – and consider implementing the recommendations.</p> <p><u>Long term:</u></p> <p>7. The Office of Risk Management will consider developing / purchasing a risk management information system to ensure consistent and thorough collection, maintenance, and reporting of data related to general liability claims and litigation cases.</p> <p><u>Self-Insured Fund</u></p> <p>8. Communicate to the CFO that the Self-Insured Fund needs to be set-up and funded to compensate for potential uninsured losses.</p>	<ul style="list-style-type: none"> <li>• The CFO will assess the viability of establishing a Self-Insurance Fund in Fiscal Year 2010.</li> </ul>

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<p><b>2008-31: Debt Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>We noted that the District received a loan from the United States Environmental Protection Agency in the amount of \$464,294 in 1993. For the last 15 years, the District has failed to record this loan, therefore misstating debt. As of June 30, 2008, the final balance was \$102,996.</p> <p><b><u>Recommendation:</u></b></p> <p>Management should improve controls to achieve a more consistent and thorough evaluation of accounting records, which will minimize the likelihood of misstatement.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Obtain supporting documentation from external auditors.</li> <li>2. Make appropriate adjusting journal entries.</li> <li>3. Review year-end transactions to ensure that all loan payments are recorded correctly.</li> </ol>	<ul style="list-style-type: none"> <li>• The supporting documentation for this finding was obtained from the external auditors.</li> <li>• The outstanding amount of \$102,995.98 plus \$4,232.70 interest, a total amount of has been processed and was scheduled for payment on 4/24/09.</li> </ul>

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<p><b>2008-32: Miscellaneous Revenue Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-18</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During tests of revenue, we noted that rebates from vendors were improperly recorded as revenue. The District's current accounting practice for vendor rebates is to record them when received as miscellaneous revenue rather than netting the rebates against the related expenditure accounts.</p> <p><b><u>Recommendation:</u></b></p> <p>Management of the District should review all of its accounting policies and practices to ensure compliance with GAAP and the Michigan Public School Accounting Manual.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Review vendor rebates received in Fiscal Year 2009 and at the end of each fiscal year and make the necessary corrections.</li> <li>2. Train staff to ensure compliance with GAAP.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has reviewed the vendor rebates received in Fiscal Year 2009 and determined that they have been properly recorded. Based on the reconciliation of miscellaneous revenues performed as of 3/31/09, there are no vendor rebates included in the revenues.</li> <li>• The CFO has scheduled staff training during Fiscal Year 2010.</li> </ul>

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<p><b>2008-33: Reconciliation of Property Taxes Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-18</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>Property tax revenue related to collections on the 2007 levy do not reconcile to taxable values reported to the State of Michigan by the County through Form DS-4410-B.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District coordinate with the State of Michigan, Wayne County, the City of Detroit, and all applicable local tax increment financing authorities to ensure that amounts reported to the State and amounts collected and remitted to the District are consistent.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Coordinate with the State of Michigan, Wayne County, the City of Detroit, and all applicable local tax increment financing authorities to ensure that amounts reported to the State are accurate.</li> <li>2. Obtain sufficient documentation from the above referenced entities in order to determine whether amounts collected and submitted to the District and amounts reported to the State of Michigan properly reconcile.</li> </ol>	<ul style="list-style-type: none"> <li>• The Deputy Controller will coordinate with the State of Michigan, Wayne County, and City of Detroit to ensure that amounts reported to the state are accurate.</li> </ul>

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<p><b>2008-34: Segregation of Duties – Expenditures Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-32</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>There is inadequate segregation of duties over the purchase requisition, approval and receiving functions due to certain individuals being authorized to perform these incompatible functions.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the purchase requisition requesting and approval functions be assigned to separate appropriately authorized individuals.</p>	<p>The Security Administrator will ensure that individuals who have access to create requisitions do not have the ability to approve requisitions. The Security Administrator will do the following:</p> <ol style="list-style-type: none"> <li>1. Create query to determine who has the ability to create and approve requisitions.</li> <li>2. Contact the user’s administrator to determine which role should be removed.</li> <li>3. Change permissions to reflect the proper role.</li> </ol>	<ul style="list-style-type: none"> <li>• The Security Administrator has created a query and identified users with the permission to create and approve requisitions. Eight hundred and ten (810) users were identified; primarily from the schools.</li> <li>• All the users were informed of the changes in their permissions.</li> <li>• The changes were implemented.</li> </ul>

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<p><b>2008-35: Expenditures – Receiving Documents Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-10</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The District’s procurement system is designed to track receiving documents, and to require a three-way match of the receiver, purchase order and invoice before payment is made; however, receiving documents are not retained. Therefore, we were unable to verify that a three-way matching of purchase order, receiving document and invoice occurred prior to disbursing funds.</p> <p><b><u>Recommendation:</u></b></p> <p>The District needs to develop a process to retain receiving documents in accordance with document retention requirements.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Communicate to all departments and schools that the original packing &amp; delivery slips (receiving documents) should be retained in compliance with the District’s document retention requirements.</li> <li>2. Update the document retention policy for receiving documents to be in compliance with the document retention requirements.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has updated the document retention policy to include the requirement that all packing/delivery slips must be retained for at least twenty-four (24) months after receipt of goods.</li> <li>• The Accounting Department has communicated to all Departments and Schools that the original packing and delivery slips (receiving documents) should be retained as required by the Document Retention policy.</li> </ul>

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<p><b>2008-36: Expenditures – Transaction Coding Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-12</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During our expenditure testing, we selected a sample of 60 expenditures totaling \$8,987,849. Within our sample, we noted that for 11 expenditures the good or service noted on the invoice did not correlate to the trial balance account description.</p> <p><b><u>Recommendation:</u></b></p> <p>Regular training of staff in the use of accounting codes and periodic review is necessary.</p>	<ol style="list-style-type: none"> <li>1. The Accounting Department will provide on-going training for employees on proper use of accounting codes.</li> <li>2. The Chart of Accounts will be reviewed and updated periodically to ensure that coding conventions are maintained.</li> <li>3. As part of the periodic review of financial data, the Accounting Department will review a selection of transactions for proper account coding.</li> <li>4. Communicate new codes established to all departments.</li> </ol>	<ul style="list-style-type: none"> <li>• The CFO will have staff training conducted in Fiscal Year 2010. The training material will include the Chart of Accounts and proper use of accounting codes.</li> <li>• During the year-end closing process, the Accounting Department will perform a sample review of financial data to ensure that proper account codes are used. A periodic review of account codes will be performed in Fiscal Year 2010.</li> </ul>

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<p><b>2008-37: IT General Controls – Program Change – Access to Libraries Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-35 Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During our analysis of IT program change controls, we noted that access to production application libraries is not appropriately restricted. Developers have access to PeopleSoft HR / Financials application shares. Additionally, “everyone” has “change access” to some of the production application shares.</p> <p><b><u>Recommendation:</u></b></p> <p>Access to production programs, directories, and libraries should be restricted based on a demonstrated business need. Developers and/or Data Center personnel should not have the ability to update or modify the production environment.</p>	<p>The Security Administrator will:</p> <ol style="list-style-type: none"> <li>1. Remove / disable developer access from production application shares.</li> <li>2. Develop policy and procedures for providing access on an as needed basis.</li> <li>3. Set up a security group.</li> <li>4. Develop practices for monitoring of activities within production libraries.</li> </ol>	<ul style="list-style-type: none"> <li>• The Security Administrator has reviewed and removed developers’ access from production application shares. Screenshots have been printed to show that there are no developers’ access.</li> <li>• The IT Department has developed policies and procedures for shared data library access.</li> <li>• The Department has also set up security grouping for critical roles. The first report generated was on 6/1/09.</li> </ul>

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<p><b>2008-38: IT General Controls – Physical Access to Data Center Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-37</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During our analysis of Data Center Physical Access, we noted that there was no procedure or process in place for a periodic review to ensure that individuals with access to the Data Center continue to have a business need for such access.</p> <p><b><u>Recommendation:</u></b></p> <p>A procedure should be formalized and a process instituted to require review of individuals with access to the Data Center and any discrepancies should be addressed in a timely manner.</p>	<p>The IT Department will</p> <ol style="list-style-type: none"> <li>1. Review the log for individuals who have card access to determine whether unauthorized or terminated employees have access.</li> <li>2. Obtain an inventory of all cards issued with access to data center and compare with the current listing of authorized personnel. Cards of personnel not listed as authorized will be disabled.</li> <li>3. Develop a form which will be required for all users who need access to the Data Center. The form will be signed by the requestor and their supervisor, and reviewed by IT Management before access approval is granted.</li> <li>4. Document the procedure for requesting access, and implement this procedure through directives to the user community.</li> </ol>	<ul style="list-style-type: none"> <li>• The IT Department compared the list of persons with access to the data center to the list of employees and contractors. All persons who should not have access to the data center, former employees and contractors were removed from the list and their cards were disabled.</li> <li>• The Department has developed a form and written procedures for requesting physical access to the data center.</li> </ul>

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<p><b>2008-39: IT General Controls – Inappropriate Access to Systems Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-40</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During our testing of IT access controls, we noted that a process is not in place to ensure that system access for District contractors that leave the organization is disabled and removed in a timely manner. We noted that some of the UNIX user accounts belong to contractors who no longer work for the District or do not require such access.</p> <p><b><u>Recommendation:</u></b></p> <p>A process should be put in place to ensure that system access be reviewed quarterly for removal and/or disabling in a timely manner for individuals without a demonstrated business need. In addition, a record of review should be retained for audit review.</p>	<p>The Security Administrator will:</p> <ol style="list-style-type: none"> <li>1. Prepare a query script to obtain the access control list of users by name, user ID, last use date and assigned rights.</li> <li>2. Scrub all unused accounts quarterly.</li> <li>3. Develop the protocols between Management and IT to ensure that IT gets a monthly listing of new hires, terminations and transfers of employees to compare with the monthly listing of users.</li> <li>4. Develop a policy for account expiration for contractors. Every 30 days a report should be submitted to Human Resources (HR) and Contracts &amp; Procurement (C&amp;P) indicating all inactive accounts for that period. After HR and C&amp;P review, inactive accounts will be disabled.</li> </ol>	<ul style="list-style-type: none"> <li>• The IT Department generated an access control list for all user activities and removed all user accounts inactive for more than 90 days.</li> <li>• The IT Department developed an automated trigger in PeopleSoft HR Module which notifies the Department of any personnel changes (i.e. new hires, transfers and terminations). When HR sets the deletion flag for an account, whether it is a staff or student, it goes through the LDAP side and is deleted, then a record flag is set for the nightly file pickup by the MIIS system. That system in turn reviews all daily changes regardless of nature, and applies those change to the Active Directory environment. For deletions, MMIS does not have the rights to delete an account, and best practice cites not deleting accounts. Instead, MIIS disables the account automatically. Once there is a disabled flag set, the account cannot be accessed by anyone. This effectively removes all rights the account had.</li> <li>• The IT Department has developed policies and procedures for removing stale dated user accounts and passwords.</li> </ul>

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<p><b>2008-40: IT General Controls – Direct Update Access to PeopleSoft Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-41</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>Prior year comment 2007-41 noted that one Oracle Database user account had update access to critical PeopleSoft Financial tables. We noted from review of the Oracle IDs for both PeopleSoft Financial and Human Capital Management that there were two user IDs that had update capability. Four of the IDs are shared, one of which has update capability, resulting in loss of individual accountability.</p> <p><b><u>Recommendation:</u></b></p> <p>All IDs not essential for PeopleSoft productive operations should be removed. Direct modification of PeopleSoft tables should be limited to authorize Database Administrators. Use of powerful IDs should be limited, authorized and monitored.</p>	<p>The Data Analyst and Security Administrator will:</p> <ol style="list-style-type: none"> <li>1. Review access rights of those who have access to financial tables.</li> <li>2. Remove access to tables from those whose job functions do not require access.</li> </ol>	<ul style="list-style-type: none"> <li>• The Security Administrator obtained the access control list of users with access to PeopleSoft financial tables.</li> <li>• The condition stated in the finding is vague. However, the CFO has identified one oracle database user account who has updating capabilities. This individual has access to six (6) payroll related tables used for posting payroll on a bi-weekly basis. This is a business necessity that has to occur every pay period. The CFO has instituted compensating controls by developing a Payroll Posting Control Report showing record count and the verification of pay period and control totals of payroll amounts to PeopleSoft payroll and PeopleSoft finance records.</li> <li>• There are two users mentioned in this condition. The CFO has assumed that the second user is Psadmin. Psadmin is a delivered account for managing upgrades, bundles, and patches. It is a direct PeopleSoft/Oracle account. This is typically used by the Data Base Administrators (DBAs). The CFO has implemented compensating controls to ensure accountability. Audit logs have been enabled for the Psadmin account. A report is triggered on the use of this shared account and automatically goes into the distribution list which includes</li> </ul>

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		the Executive Director in charge of Application for monitoring purposes.

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<p><b>2008-41: IT General Controls – Domain Administration Access Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-42</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>Prior year comment 2007-42 noted that inappropriate job classifications had domain administration capabilities, and that the “Administrator” ID had not been renamed. We reviewed the list of domain administrators and found that the “Administrator” ID is still in use.</p> <p><b><u>Recommendation:</u></b></p> <p>The default “Administrator” ID should be renamed.</p>	<p>The Security Administrator will:</p> <ol style="list-style-type: none"> <li>1. Identify system services, processes or scheduled tasks that may be affected by changing the domain administrator accounts.</li> <li>2. Create replacement accounts based upon District need, continuance and security.</li> <li>3. Document located services or resources that require alteration.</li> <li>4. Create “aliased” domain administrator account.</li> <li>5. Test new account.</li> <li>6. Disable default administrator account.</li> </ol>	<ul style="list-style-type: none"> <li>• The IT Department has identified and reviewed the services associated with the domain administrator accounts. These are tied to critical processes and scheduled tasks.</li> <li>• The IT Department has created new domain administrative accounts to be implemented after the decommissioning of SCM domain accounts. This is scheduled for 6/15/09 – 8/31/09.</li> <li>• In order to temporarily mitigate the risk, the IT Department has implemented a trigger to report any use of the domain user account.</li> </ul>

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<p><b>2008-42: IT General Controls – Access Review - Segregation of Duties Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-43</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>Prior year comment 2007-43 noted that a detailed segregation of duties review process is not in place for PeopleSoft. We reviewed the PeopleSoft Security Manual and implementation of the PeopleSoft application security. We found that there still is not a comprehensive process in place to determine that access to transactions is granted based on management criteria and good business practice.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that management create a formal Segregation of Duties Matrix, considering all PeopleSoft transactions or roles, which would identify potential conflicting roles and would identify when inappropriate access was requested. The matrix should be reviewed on a periodic basis to ensure compliance and to monitor for individuals with conflicting roles.</p>	<p>The Security Administrator will:</p> <ol style="list-style-type: none"> <li>1. Create a query to determine PeopleSoft system wide access of users.</li> <li>2. Develop a segregation of duties matrix to identify user roles and associated transactions.</li> <li>3. Identify and modify any conflicting roles or incompatible duties.</li> <li>4. Perform a quarterly review to identify if the controls for segregation of duties are followed.</li> </ol>	<ul style="list-style-type: none"> <li>• The Security Administrator used the PeopleSoft delivered procedure to generate access rights and privileges of PeopleSoft users.</li> <li>• The development of the segregation of duties matrix is still in progress. This matrix identifies user roles and associated transactions.</li> </ul>

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<p><b>2008-43: IT General Controls – Inadequate Security Settings Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-39</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During our tests of IT access controls, we noted that default security settings for the UNIX PeopleSoft HR/Financials Database servers were inadequate. Password aging, account lockout, and password complexity settings have not been enabled, and we were informed that the Solaris Operating system currently in production use does not support password settings of this nature.</p> <p><b><u>Recommendation:</u></b></p> <p>Password control settings for the UNIX systems should be strengthened to include aging, lockout, and complexity, etc.</p>	<p>The Security Administrator will:</p> <ol style="list-style-type: none"> <li>1. Install CRACKLIB on a test system.</li> <li>2. Test to ensure no unintended results occur as a byproduct of the installation of CRACKLIB.</li> <li>3. Develop policies and procedures pertaining to password aging, complexity and account lockout for the PeopleSoft HR/Financial environments.</li> <li>4. Install CRACKLIB on all PeopleSoft HR / Financial environments.</li> </ol>	<ul style="list-style-type: none"> <li>• The IT Department acquired CRACKLIB and installed on their test environment. During testing they noted that CRACKLIB did not meet the required level of security complexity recommended by the external auditors, consequently CRACKLIB was not installed in production. During an upgrade of PeopleSoft, the IT Department was able to strengthen the level of security complexity to meet the external auditor’s recommendation.</li> </ul>

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<p><b>2008-44: IT General Controls – Security Access Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During our IT controls review we found that requests for access to either AssetMaxx or the Workers Compensation System were being reviewed by District personnel prior to requests being sent to the service provider. However, the process for access approval for either system was not documented nor did we find any process for access modification or removal. In addition, in neither case was there a process to perform a periodic review of access rights.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should document the process of creation, modification, and deletion of user accounts to AssetMaxx and the Workers Compensation System. This process should include a periodic review of all user access to these systems. Records of review should be maintained.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Develop a policy that only authorized personnel can have access, and only the system owner or designee can authorize access.</li> <li>2. Develop policies for user account administration in:           <ol style="list-style-type: none"> <li>a. Hiring</li> <li>b. Transfer</li> <li>c. Termination</li> <li>d. Modification of rights and privileges.</li> </ol> </li> </ol> <p>The AssetMaxx and Workers’ Compensation Security Administrators will develop processes for granting, modifying, deleting and reviewing access as follows:</p> <ol style="list-style-type: none"> <li>1. Grant, modify, or remove user access.</li> <li>2. Supervisory review and sign-off on all requests for access and changes to access.</li> <li>3. Maintain and review documentation on a periodic basis to ensure proper access control by system owners.</li> <li>4. Identify a single point of contact – system owner or designee for signature.</li> <li>5. Provide single point of contact for Service Provider to receive instructions on user access.</li> <li>6. Provide periodic review of users by system owner.</li> </ol>	<ul style="list-style-type: none"> <li>• The CFO has established a structure for the use of AssetWorks applications. This includes policies and procedures for the use of account management and password administration. The role, authority and responsibilities of the Security Administrator have been established.</li> <li>• The number of users for AssetWorks application is very small (less than five). The Security Administrator will, on a quarterly basis, review the access control listing with the Application owner to ensure that users have appropriate access. The first review will be done in September 2009.</li> <li>• The CFO has also established a structure for the use of the Workers Compensation application. This includes policies and procedures for the use of account management and password administration. The role, authority and responsibility of the Security Administrator have been established.</li> <li>• The number of users for the Workers Compensation application is also very small (less than 5). The Security Administrator will, on a quarterly basis, review the access control listing with the Application owner to ensure that</li> </ul>

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	<p>The Security Administrator will:</p> <p>7. Develop an Access Request Form (termination, hiring, transfer) to be signed by :</p> <ul style="list-style-type: none"> <li>a. The user.</li> <li>b. The system owner.</li> </ul>	<p>users have appropriate access.</p>

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<p><b>2008-45: IT General Controls – Network Access Review            Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During IT controls review, we did not find a process to perform a periodic review of network access rights.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should document and perform a periodic review of all user access to the network. Records of review should be maintained.</p>	<p>The Security Administrator will:</p> <ol style="list-style-type: none"> <li>1. Develop a table of access rights that addresses segregation of duties and key job functions.</li> <li>2. Develop procedures to review all user accounts on a periodic basis.</li> <li>3. Ensure that a record of review is maintained for a predetermined period of time.</li> </ol>	<ul style="list-style-type: none"> <li>• The IT Department has developed procedures to perform quarterly reviews of Network and File/Folder Access.</li> <li>• These procedures cover record maintenance to ensure that records are maintained for a predetermined period of time.</li> <li>• The IT Department has developed a Quarterly Review Checklist.</li> </ul>

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<p><b>2008-46: IT General Controls – Access to Software Code Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The District uses PeopleSoft Version 8 and access to the source code for the installed software is not adequately restricted. Updates are received directly from PeopleSoft, which contain COBOL source to be compiled for installation.</p> <p><b><u>Recommendation:</u></b></p> <p>Procedures should be developed to ensure that all COBOL and SQR+ code received from the vendor are protected from unauthorized disclosure, update or deletion.</p>	<p>The Security Administrator will:</p> <ol style="list-style-type: none"> <li>1. Review job functions of all individuals with rights to COBOL Code and PeopleSoft Upgrades.</li> <li>2. Restrict access to source code to only those developers who require access for job functions.</li> <li>3. Develop, implement and update processes to ensure that only authorized personnel are able to access and receive updates from vendors.</li> </ol>	<ul style="list-style-type: none"> <li>• The IT Department has restricted access to source code to only those developers who require access for their job functions.</li> <li>• The Department has developed procedures for updating software code to ensure that only authorized personnel are able to access and receive updates from vendors.</li> <li>• The Department obtained a listing of all developers and programming persons in DBAs. Each profile was examined and users' profiles with rights and permissions to source codes and PeopleSoft upgrades were evaluated. This process eliminated all users who did not need access.</li> </ul>

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<p><b>2008-47: IT General Controls – Restore from Backup Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>No formal procedure exists for testing restorability of backed up files; however, backup media is used by the District to restore files on an as required basis when requested by user management. Restores from backup data have been performed in the last quarter.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should develop procedures for the periodic testing of backup media.</p>	<p>The Security Administrator will:</p> <ol style="list-style-type: none"> <li>1. Establish procedures for retrieving and testing data integrity stored off-site and / or using removable media.</li> <li>2. Identify and acquire an adequate testing environment.</li> <li>3. Develop back up testing procedures.</li> <li>4. Implement a schedule for receiving and testing off-site backups.</li> </ol>	<ul style="list-style-type: none"> <li>• The IT Department has developed procedures for testing the data that is backed up to tape on a regular basis.</li> <li>• Additionally, spare capacity has been identified and will be readied for data restoration testing.</li> <li>• The Department has also developed a schedule for retrieving and testing.</li> </ul>

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<p><b>2008-48: IT General Controls – Authentication Mechanism Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During our analysis of general IT controls, it was observed that all users must have logon credentials to gain access to the District’s domain. Examination of LDAP IDs showed some appear to be shared. In addition, it was observed that there was an account in the Domain Administrator group that is not assigned to an individual.</p> <p><b><u>Recommendation:</u></b></p> <p>Shared IDs should be eliminated, and all accounts should be assigned to specific users.</p>	<p>The Security Administrator will:</p> <ol style="list-style-type: none"> <li>1. Identify and remove all shared IDs.</li> <li>2. Review access for all individuals with administrative privileges.</li> <li>3. Implement segregation of duties to ensure that each individual ID is only used by one person.</li> <li>4. Assign administrative privileges only to those who require them for their job functions.</li> </ol>	<ul style="list-style-type: none"> <li>• The IT Department identified all shared IDs.</li> <li>• The Department has reviewed and removed all unnecessary administrative privileges to ensure that incompatible duties are properly segregated. Note: There are shared identities inherent in the Oracle delivered package. This is a technical requirement by PeopleSoft to ensure proper job executions. Therefore, these job functions cannot be assigned to unique individuals in a practical way. However, their use has been restricted and the shared IDs will be monitored as part of the security process.</li> </ul>

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<p><b>2008-49: IT General Controls – Review of Access Logs Financial Reporting</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During our review of IT general controls, we found that there is no periodic review of PeopleSoft access logs.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should establish and follow a process to perform a periodic review of security access logs on the PeopleSoft system.</p>	<p>The IT Department will:</p> <ol style="list-style-type: none"> <li>1. Implement Oracle Username Failed Login Auditing</li> <li>2. Implement Oracle Logon/Logoff Triggers</li> <li>3. Create Reports for review by Oracle DBA's and Financial Security</li> <li>4. Automate reporting scripts to send reports on the 1<sup>st</sup> of the month.</li> </ol>	<ul style="list-style-type: none"> <li>• The IT Department has completed implementation of Corrective Action Plan for tasks 1-3 on 5/8/09.</li> <li>• The IT Department has successfully run the automated scripts on 6/1/09).</li> </ul>

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<p><b>2008-50: IT General Controls – Program Change Testing Financial Reporting</b></p> <p><b>Prior Year Finding: 2007-33</b></p> <p><b><u>Condition:</u></b></p> <p>We selected 29 program change requests, composed of both emergency and non-emergency changes, and noted no indication of testing on six changes. Further, eight of the 29 did not have a completed date on the change document.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that all changes be tested and properly approved prior to implementation. Testing and approval details should be retained with the formal change document.</p>	<p>The IT Department will:</p> <ol style="list-style-type: none"> <li>1. Design a Change Management Process</li> <li>2. Create Change Management forms</li> <li>3. Implement Change Management Process</li> <li>4. Inform Departments and Staff of Change Management Process</li> </ol>	<ul style="list-style-type: none"> <li>• The implementation for Program Change Testing was completed on 4/24/09.</li> </ul>

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<p><b>2008-51: Durant Fund Expenditures – General Fund Compliance</b></p> <p><b>Prior Year Finding: 2007-45</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>During our test of Durant expenditures, we selected 38 invoices totaling \$2,005,409. Within our sample, we noted that 13 invoices totaling \$338,454 were paid with Durant funds that were not specifically allowable under Michigan Complied Laws, MCL 388.1611f.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that management improve the control procedures to result in a more consistent and thorough evaluation of procurements and expenditures. Management should develop, update, and implement policies and procedures to ensure that procurement of materials and services are properly evaluated to ensure that an appropriate funding source is available for use and that expenditures are correctly charged to the proper budget categories. All employees should be made aware of the contracting, procurement, and budget policies to ensure that they will be followed.</p>	<p>No Corrective Action is needed. All the funds for Durant Fund General Fund 11 were spent and accounted for during fiscal year 2008. No additional funding was provided by the State during the current year therefore no further action needs to be taken about this finding.</p>	<ul style="list-style-type: none"> <li>• There is no funding for the Durant Fund account in Fiscal Year 2009.</li> </ul>

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<p><b>2008-52: Durant Fund Expenditures – Bond Fund Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During our tests of the Durant expenditures, we selected 14 invoices totaling \$222,972. Within our selection, we noted that three (3) invoices totaling \$54,388 were paid with Durant funds, which were not specifically allowable under Michigan Compiled Laws, MCL 380.1372 and MCL 380.1351a.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that management improve the control procedures to result in a more consistent and thorough evaluation of procurements and expenditures. Management should develop, update, and implement policies and procedures to ensure that procurement of materials and services are properly evaluated to ensure that an appropriate funding source is available for use and that expenditures are correctly charged to the proper budget categories. All employees should be made aware of the contracting, procurement, and budget policies to ensure that they will be followed.</p>	<p>The CFO will:</p> <ol style="list-style-type: none"> <li>1. Communicate to Facilities Department the guidelines for the allowable and unallowable expenditures for the Durant Fund 41.</li> <li>2. Communicate to Facilities, Contracting and Procurement departments, guidelines for competitive bid requirements for Durant Fund 41 expenditures.</li> <li>3. Review the Durant Fund Expenditures-Bond Fund for unallowable expenditures and take the necessary corrective action prior to the fiscal year end.</li> </ol>	<ul style="list-style-type: none"> <li>• The CFO has communicated to Facilities Department the guidelines for the allowable and unallowable expenditures for the Durant Fund 41.</li> <li>• The CFO has communicated to Facilities, Contracting and Procurement Departments, guidelines for competitive bid requirements for Durant Fund 41 expenditures.</li> <li>• The Accounting Department has reviewed the Durant Fund Expenditures-Bond Fund as of 4/21/09 and noted no unallowable expenditures.</li> </ul>

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<p><b>2008-53: Salary Expenditures – Bond Fund Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During our tests of bond expenditures, we noted that three salaries were being inappropriately charged against the bond proceeds. Though all three individuals have responsibilities related to the bond, each also performs other job functions that are separate from the bond, thus making the expenditure unallowable.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the bond counsel issue an opinion clarifying the qualifications to expend qualified salaries through the bond.</p>	<p>The Accounting Department has obtained the bond counsel’s opinion as recommended. This opinion stated clearly that two positions were solely related to the bond issue and that assuming that such expenditures are capitalized under GAAP, they can be paid with bond proceeds.</p> <p>In addition to this, the Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Follow State of Michigan Bond Guidelines from the June 5, 2001 letter authorizing the use of funds for salaries as long as 00% of work performed is related to capital expenditures.</li> <li>2. Review the Bond Fund capital expenditures account and make the necessary corrections for the salaries/wages of any employee who did not work 100% on bond program.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has obtained the bond’s counsel opinion as recommended.</li> <li>• The Department currently follows the State of Michigan bond guidelines.</li> <li>• A review of the Bond Fund capital expenditures account is being performed and is scheduled to be finalized by year end.</li> </ul>

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<p><b>2008-54: Allowable Costs/Cost Principles – Fringe Benefits Compliance</b></p> <p><b>Prior Year Finding: 2007-54, 2007-55, 2007-68, 2007-80, 2007-91, 2007-104, 2007-111</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During the year, the District’s accounting software allocated health insurance premiums to all employee activities. To correct this practice, management prepared a journal entry to reclassify expenditures to the employee’s primary position; however, during our testing we noted multiple instances where an adjustment should have been made to individuals that were not included in the entry to move expenditures. In addition, we noted that no entry was performed for the two final payroll periods of the fiscal year.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend the District properly configure the accounting system to ensure that Health Insurance Premium entry includes all individuals and pay periods.</p>	<p>The IT Department has created a program in PeopleSoft to produce an exception report that identifies all HDLV (Health, Dental, life and Vision) insurance premiums that are not paid out of an employee’s primary job.</p> <p>Accounting Department currently performs the following to correct HDLV exceptions:</p> <ol style="list-style-type: none"> <li>1. Runs the Exception Report.</li> <li>2. Prepares and approves journal entries to correct the errors to ensure that no HDLV premiums are paid out of an employee’s secondary job.</li> </ol> <p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>3. Document the process for the preparation and posting of journal entries to correct HDLV exceptions.</li> </ol>	<ul style="list-style-type: none"> <li>• The configuration of the PeopleSoft system is not necessary because the IT Department has created a program in PeopleSoft to produce an exception report which identifies all Health, Dental, Life and Vision (HDLV) insurance premiums not paid out of employees’ primary jobs.</li> <li>• The Accounting Department has documented the process for the preparation and posting of adjusting journal entries to correct HDLV exceptions.</li> </ul>

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<p><b>2008-55: Allowable Costs/Cost Principles – 26 Pay Accrual Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>When making its 26 pay accrual entry, the District did not take into consideration any employees who changed job responsibilities during the year.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend the District properly configure the accounting system to ensure that the 26 payroll accrual entry take into consideration any changes in employee job codes during the year.</p>	<p>The Accounting Department will perform a salary audit at the end of each fiscal year for all special education and grant employees (salaried and hourly) to ensure that the proper compensation is being charged to the appropriate funding source.</p> <p>To ensure a timely recording of a staffing change when an employee changes a job position, the Human Resources Division will:</p> <ol style="list-style-type: none"> <li>1. Identify all federal funded positions prior to start of each school year.</li> <li>2. Establish a deadline for filling all federally funded positions for each school year.</li> <li>3. Communicate to school administrators that they should request for specific subject teachers prior to start of each school year.</li> <li>4. Establish and communicate to school administrators a deadline to identify requested staff members for each school year.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has created a custom extract which identifies all positions in the District including grant funded positions. This custom report has been placed on the DPS Share folder and can be accessed by the District’s central staff. The list of users of this report includes Budget, Accounting, Payroll, Human Resources and the Department of Funds and Development.</li> <li>• The Accounting Department submitted a Business User Request (BUR) in October 2008 to the IT Department to program the custom report in the PeopleSoft system.</li> <li>• The Accounting Department will use the custom report which identifies both the effective and action dates of changes in job codes to verify the 26 payroll accrual calculations until the PeopleSoft system is configured.</li> <li>• A BUR was submitted to the IT Department on March 10, 2009 to configure PeopleSoft system to identify funding source changes by employee.</li> </ul>

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<p><b>2008-56: Allowable Costs/Cost Principles – Payroll Certifications and PARs Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The District supplied certifications and personnel activity reports that did not meet the requirements of OMB Circular A-87. Certifications were provided for employees who worked on multiple cost objectives, and personnel activity reports were not properly documented as required by OMB Circular A-87.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend the District modify its procedures to ensure that expenditures charged to federal programs are properly approved and documented before being expended.</p>	<p>The Department of Funds and Development (F&amp;D) has notified all employees who are paid by federal funds about the requirement for submission of time and effort certification.</p> <p>In addition to this, F&amp;D will modify the Personnel Activity Report (Certification Form) to be in compliance with OMB Circular A-87. This form at minimum will include the following:</p> <ol style="list-style-type: none"> <li>1. The form will indicate whether the certification is monthly or semi-annual.</li> <li>2. The components of the monthly certification will include school district, name of school, payroll month, employee name, position, percentage of split, employee signature or supervisor’s signature, and the date signed.</li> <li>3. For monthly certifications the employee will:             <ol style="list-style-type: none"> <li>a. Itemize the tasks and cost objectives worked on during that month.</li> <li>b. Assign percentages of time spent to each task.</li> <li>c. The total percentage of split effort should equal 100%.</li> <li>d. Verify that the assigned percentages to each task or cost objective agree with the supporting documentation (Time and Effort daily work activity log, or workshop/retreat participant sign-in).</li> </ol> </li> <li>4. Semi-annual certifications will be submitted every January and July, by employees who worked solely on a Federal award or cost objective.</li> </ol>	<ul style="list-style-type: none"> <li>• The Department of Funds and Development has developed Personnel Activity Reports (certification forms), effective February 2009, which are in compliance with OMB Circular A-87. These forms are completed, signed and faxed to the Department of Human Resources.</li> <li>• The Independent Accounting firm of Plante &amp; Moran, selects a sample of 2 percent of all employees paid with federal funds on a bi-weekly basis, and determines whether there is adequate documentation to support the charges. The firm verifies that semi-monthly certifications were done for sampled employees who worked solely on a single grant (100% effort), and monthly certifications were done for employees who worked on multiple cost objectives effort. Fringe benefits charged to each program are also verified to ensure that they are in the same proportion to all other programs and functions and reflect actual costs to the District. Attendance records are verified for costs pertaining to workshops and training.</li> </ul>

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	5. The certifications may be signed by either the employee or a supervisor/official with first hand knowledge of the task performed.  6. The certification forms will be submitted to the Department of Human Resources.	

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<p><b>2008-57: Allowable Costs/Cost Principles – Payroll Certifications – Preparation Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>We noted that multiple certifications used as support for payroll charges were prepared after being requested by the audit team.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend the District modify its procedures to ensure that expenditures charged to federal programs are properly approved and documented before being expended.</p>	<p>The Department of Funds and Development will coordinate with Human Resources to:</p> <ol style="list-style-type: none"> <li>1. Communicate to all grant funded employees the submission requirements for effort certification.</li> <li>2. Train all employees on the steps outlined on Finding # 2008-56 Corrective Action Plan.</li> <li>3. Maintain a list, file or database of grant funded employees to track effort certification submissions.</li> <li>4. Follow-up with employees who do not submit their certifications timely.</li> </ol>	<ul style="list-style-type: none"> <li>• The Department of Funds and Development has issued a communication to all grant funded employees on the Time and Effort reporting and submission requirements.</li> <li>• On January 28, 2009, the Department of Funds and Development trained its employees on Time and Effort reporting.</li> <li>• The District has hired two employees whose primary responsibilities are to manage the time and effort certification process by maintaining a file, tracking and following up on missing certifications.</li> </ul>

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<p><b>2008-58: Allowable Costs/Cost Principles – Payroll Documentation – Availability Compliance</b></p> <p><b>Prior Year Finding: 2007-56, 2007-81, 2007-102, 2007-103, 2007-112</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>Multiple payroll charges were not adequately supported with required semi annual payroll certifications or personnel activity reports.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend the District modify its procedures to ensure that expenditures charged to federal programs are properly approved and documented before being expended.</p>	<p>The Corrective Action Plan for Finding # 2008-56 and Finding # 2008-57 when implemented will address Finding # 2008-58.</p>	<ul style="list-style-type: none"> <li>• See implementation for Finding Numbers 2008-56 and 2008-57.</li> </ul>

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<p><b>2008-59: Allowable Costs/Cost Principles – Adequate Voucher Documentation Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b>            The District had multiple disbursement transactions charged to federal programs that were not for actual cost and/or not adequately documented.</p> <p><b><u>Recommendation:</u></b>            We recommend the District modify its procedures to ensure that expenditures charged to federal programs are for actual cost incurred and are adequately documented.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Review current procedures to ensure that all charges to federal programs are based on actual costs for approved expenditures.</li> <li>2. Ensure that each entry has adequate description of the expenses, and all supporting documents are available before the expense is charged to a grant.</li> <li>3. Train the accounting staff on the above procedures.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has implemented a review process in the data input of transactions to ensure that charges are based on actual costs.</li> <li>• The Accounting Department prepares a listing of all cash disbursements making up the bi-weekly reimbursement request submitted to the State of Michigan.</li> <li>• This list is forwarded to the independent accounting firm of Plante &amp; Moran for review.</li> <li>• Plante &amp; Moran selects a sample of 2 percent of all transactions from this list including the ten (10) largest dollar value expenditures. The firm verifies that the expenditure classification in the General Ledger and on the reimbursement request is consistent with the treatment indicated in the support provided with the disbursement. The firm also performs a 2-way and 3-way match. They also verify on a monthly basis that the check related to the disbursement cleared the bank within 30 days of the check date.</li> </ul>

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		<ul style="list-style-type: none"> <li>• For the sample selected of adjusting entries made to non-payroll accounts of federal programs, Plante &amp; Moran uses the same selection criteria and performs the review.</li>   <li>• Plante &amp; Moran submits a report to the Accounting Department.</li>   <li>• The Accounting Department performs a follow-up if necessary.</li> </ul>

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<p><b>2008-60: Allowable Costs and Cost Provisions - Indirect Costs Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The District did not take into consideration contracted amounts exceeding \$25,000 when calculating its indirect costs reported to the Michigan Department of Education.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District adopt appropriate procedures to calculate indirect costs based on the Code of Federal Regulations and the guidance found in the Michigan School Auditing Manual</p>	<p>The Accounting Department manually calculates indirect cost on grants based on a predetermined rate received from the State. This is because the PeopleSoft System version is not configured to calculate indirect cost (IC).</p> <p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Generate expenditure report by project and funding source.</li> <li>2. Determine the amount for total contract costs.</li> <li>3. Exclude the amount for contract costs exceeding \$25,000 per contract.</li> <li>4. Prepare a worksheet based on steps 1-3 above.</li> <li>5. Forward the spreadsheet to the Department of Funds and Development for review and approval.</li> <li>6. Calculate the indirect cost based on total expenditures less contract costs exceeding \$25,000</li> <li>7. The IC calculation will be reviewed by a supervisor before each entry is posted.</li> <li>8. The CFO or designee will approve IC calculations.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has a review and approval process for the preparation and calculation of the indirect cost rate.</li> <li>• The Accounting Department has prepared a list of contracts excluding amounts over \$25,000.</li> <li>• The Accounting Department has prepared a worksheet for the calculation of the indirect cost rate.</li> <li>• The worksheet has been forwarded to the Department of Funds and Development for review.</li> <li>• The Accounting Department will calculate the indirect cost rate after the year-end close.</li> </ul>

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<p><b>2008-61: Allowable Costs/Cost Principles – Adequate Voucher Documentation Compliance</b></p> <p><b>Prior Year Finding: 2007-69</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>The District had multiple disbursement transactions charged to federal programs that were not for actual costs and/or not adequately documented.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend the District modify its procedures to ensure that expenditures charged to federal programs are for actual costs incurred and are adequately documented.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Review current procedures to ensure that all charges to federal programs are based on actual costs for approved expenditures.</li> <li>2. Ensure that each entry has adequate description of the expenses, and all supporting documents are available before the expense is charged to a grant.</li> <li>3. Train the accounting staff on the above procedures.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has implemented a review process in the data input of transactions to ensure that charges are based on actual costs.</li> <li>• The Accounting Department prepares a listing of all cash disbursements making up the bi-weekly reimbursement request submitted to the State of Michigan.</li> <li>• This list is forwarded to the independent accounting firm of Plante &amp; Moran for review.</li> <li>• Plante &amp; Moran selects a sample of 2 percent of all transactions from this list including the ten (10) largest dollar value expenditures. The firm verifies that the expenditure classification in the General Ledger and on the reimbursement request is consistent with the treatment indicated in the support provided with the disbursement. The firm also performs a 2-way and 3-way match. They also verify on a monthly basis that the check related to the disbursement cleared the bank within 30 days of the check date.</li> </ul>

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		<ul style="list-style-type: none"><li>• Plante &amp; Moran submits a report to the Accounting Department.</li> <li>• The Accounting Department performs a follow-up if necessary.</li></ul>

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<p><b>2008-62: Cash Management – Request Methodology &amp; Supervisory Review Compliance</b></p> <p><b>Prior Year Finding: 2007-48, 2007-49, 2007-50, 2007-57, 2007-58, 2007-59, 2007-83, 2007-84, 2007-85, 2007-93, 2007-94, 2007-95, 2007-113, 2007-114, 2007-115</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>The District modified its cash request methodology multiple times during the year, in an attempt to comply with the Michigan School Auditing Manual guidelines. However, during our testing of these methodologies it did not appear that the District was accurately calculating cash needs until February 2008.</p> <p>In addition to the inadequate methodologies used during the year, we noted instances where the reports supplied as backup for the cash requests did not match the amounts used to calculate the request. This is indicative of an ineffective review process.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District modify its procedures to ensure that the method used to determine cash requests is adequate and accurate in determining three days cash needs.</p>	<p>The Accounting Department has eliminated the cash advance request process. Since it currently bills the prime grantee on a cost reimbursement basis, the following steps will be followed:</p> <ol style="list-style-type: none"> <li>1. Download actual expenditures from the system.</li> <li>2. Prepare a spreadsheet schedule for all allowable costs.</li> <li>3. Implement a review and approval process on a timely basis by Department of Funds and Development.</li> <li>4. Forward the signed copy of the reimbursement request to the state or the prime grantee with supporting documentation for approval so that funds can be drawn-down on a cost reimbursement basis.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department downloaded actual expenditures and prepared a spreadsheet of all allowable costs.</li> <li>• The Accounting Department has implemented a corrective action plan and currently forwards reports to the Department of Funds and Development for review and approval.</li> <li>• A signed copy of the reimbursement report is forwarded to the state.</li> </ul>

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<p><b>2008-63: Eligibility – School Attendance Areas or Schools Compliance</b></p> <p><b>Prior Year Finding: 2007-69</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>We noted that the report used to calculate the poverty percentage did not agree to the poverty percentages reported to the Michigan Department of Education.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District adopt policies and procedures to ensure that the poverty percentages by individual school are correctly calculated and reported to the Michigan Department of Education.</p>	<p><u>The Title I Administration Office:</u></p> <ol style="list-style-type: none"> <li>1. Receives students’ statistical data from the Pupil Population Management Office.</li> <li>2. Performs calculation of the indigent rates based on this data and prepares a Title I-A School Allocation Report in accordance with State and Federal guidelines.</li> <li>3. Forwards this Report to the Office of Grant Development.</li> </ol> <p>The Office of Grant Development enters the data into the Michigan Electronic Grant System (MEGS), School Selection Report.</p> <p>The auditors noted that the rates in the MEGS did not agree with the Report because the Office of Grant Development entered the indigent rates as rounded numbers.</p> <p>The Department of Funds and Development will do the following:</p> <ol style="list-style-type: none"> <li>1. Verify the student count in MEGS to make sure it matches the report data.</li> <li>2. Verify the rates in MEGS to make sure that they are rounded off to four decimal places.</li> <li>3. Verify the poverty percentages in MEGS to make sure they match the report data.</li> <li>4. Verifying the student count in MEGS to make sure</li> </ol>	<ul style="list-style-type: none"> <li>• The verification process was implemented in May 2009.</li> <li>• The Department of Funds and Development verifies the rates in MEGS to ensure that they are rounded off to four decimal places. This process was implemented in May 2009.</li> <li>• The verification of matching the poverty percentages in MEGS to the report data was started in May 2009.</li> <li>• The verification of the student count in MEGS to the report data was implemented in May 2009.</li> <li>• The next report will be approved by the Director of Title I Desk Compliance.</li> </ul>

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	they match the report data.  5. Approval of the final School Selection report by the Director of Title I Desk Compliance.	

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<p><b>2008-64: Eligibility – School Attendance Areas or Schools Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>We noted support for eligibility of students was not available.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District obtain and retain the documentation supporting eligibility for those students selected to be served under a Title I targeted assistance program.</p>	<p>The Targeted Assistance Program is intended to provide services to eligible children identified as having the greatest need for special assistance. Eligible children are children who are failing, or most at risk of failing, to meet the State’s challenging student performance standards.</p> <p>Children eligible for Part A services must be from the following populations:</p> <ol style="list-style-type: none"> <li>1. Age 21 or younger who are entitled to a free public education through grade 12 or who can benefit from an organized instructional program provided in a school or other educational setting.</li> <li>2. Economically disadvantaged, children with disabilities, migrant children, and limited English proficient (LEP) children.</li> </ol> <p>The Office of Title I Desk Compliance will:</p> <ol style="list-style-type: none"> <li>1. Develop a standardized policy and procedures for eligibility determination, which at a minimum will include the following :           <ol style="list-style-type: none"> <li>a. Documentation of the eligibility determination process by targeted schools.</li> <li>b. Require that targeted schools develop criteria checklists to be used in determining eligibility for the targeted assistance program.</li> </ol> </li> <li>2. Communicate with the targeted schools about the policy, and the importance of maintaining a documented process for eligibility.</li> </ol>	<ul style="list-style-type: none"> <li>• The Department of Funds and Development has documented the Title I Targeted Assistance Student Selection Process and communicated to the Title I Assistance schools effective 4/22/09.</li> <li>• Effective February 3, 2009, the Office of Title I/31a Compliance implemented a realignment to provide a more effective oversight of the District’s Title I and 31a programs and funding at the local schools. The Compliance Administrators were assigned to Desk Compliance Review or Monitoring. The Monitoring and Field Services Administrators perform on-site monitoring visits at the respective schools to verify program compliance.</li> <li>• The Monitoring and Field Services Administrators communicate with the schools about the importance of maintaining documentation for the eligibility process and monitors this process when they perform on-site visits.</li> </ul>

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	3. The Title I Field Services Task Force to monitor targeted schools for compliance.	

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<p><b>2008-65: Equipment and Real Property Management - Physical Inventory Compliance</b></p> <p><b>Prior Year Finding: 2007-60, 2007-61, 2007-116, 2007-117</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>No physical inventory was taken for equipment during the past two years. As a result, the asset list does not accurately reflect a current accounting of the equipment held at fiscal year end.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District implement a policy to perform physical inventory on equipment at a minimum once every two years. In addition, we recommend that the District implement procedures to accurately identify and record additions and disposals of capital assets to provide an accurate list of all capital assets held at the end of the fiscal year.</p>	<p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Conduct physical inventory of all equipment, including that purchased with federal awards, as soon as possible.</li> <li>2. Implement a procedure to take inventory every two years.</li> <li>3. Forward a listing of inventory for grants to the Department of Funds and Development.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has contracted with AssetWorks to provide capital assets management assistance. AssetWorks has established a comprehensive, ongoing fixed assets inventory and management plan that includes the following:           <ul style="list-style-type: none"> <li>- Accurate additions, transfers and disposals of assets</li> <li>- District-wide annual update service to account for current year capital asset additions and disposals (both general and grant funded)</li> <li>- District-wide, on-site re-inventory of all capital assets (both general and grant funded) – completed as a result of Office of Grant Compliance project</li> <li>- Continued use and support of asset management system currently in use by the District</li> <li>- Development of a capital asset property control manual</li> <li>- Performance of assets valuations</li> </ul> </li> <li>• The CFO has hired a staff accountant to perform capital assets management.</li> </ul>

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<p><b>2008-66: Matching, Level of Effort, Earmarking – Proportionate Share Calculation Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The District was unable to provide a copy of its computation of the proportionate share requirements for the fiscal year ended June 30, 2008.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should develop and implement control procedures to ensure that its calculation of proportionate share requirements follows the example in Appendix B of the IDEA 2004 final regulations and that copies of the calculation are maintained and are accessible by appropriate District personnel.</p>	<p>The Department of Funds and Development and the Department of Specialized Student Services will:</p> <ol style="list-style-type: none"> <li>1. Determine the proportionate share of the expenditures based on the total number of eligible (not on the number served) parentally placed children with disabilities aged 3 through 21 attending private schools located in the district in relation to the total number of eligible public and private school children with disabilities aged 3 through 21. Then perform the following:           <ol style="list-style-type: none"> <li>a. Divide the total Federal Flow-Through grant amount by the total Individual with Disability Education Act (IDEA) Eligible Public and Private School children.</li> <li>b. Multiply the result by the eligible children enrolled by their parents in private schools located in the District.</li> </ol> </li> <li>2. Develop a formula for determining adequate funding and implement control procedures.</li> <li>3. Maintain a worksheet of the calculation of proportionate share requirements.</li> </ol>	<ul style="list-style-type: none"> <li>• The Executive Director of Pupil Personnel Services has performed a calculation to determine the proportionate share of expenditures for parentally placed private school children with disabilities for Fiscal Year 2008-2009.</li> <li>• To ensure calculation and maintenance of proportionate share requirements, the District has developed a formula for determining adequate funding and implemented control procedures. The District will expend a proportionate amount of its Sections 611 and 619 funds on parentally placed children with disabilities in non-public schools.</li> <li>• The District determined the number of students receiving special education services that attend private schools located within the District and utilized the December 1st Count, which identifies the total number of special education students in the District and the number of students being placed in private schools. Calculations have been shared with the Office of Budget for budgetary purposes. They will be maintained in the Office of Specialized Student</li> </ul>

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		Services and accessible to all appropriate District staff.

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<p><b>2008-67: Matching, Level of Effort, Earmarking - Proportionate Share Expenditures Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The District does not account for “proportionate-share” expenditures separately from other program expenditures.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should develop and implement control procedures to ensure that it expends a proportionate amount of its Sections 611 and 619 funds on parentally placed children with disabilities in non-public schools.</p>	<p>The Department of Funds and Development will:</p> <ol style="list-style-type: none"> <li>1. Determine the proportional share relative to the number of eligible parentally placed private school children aged 3 through 5 with disabilities compared to the total number of eligible children with disabilities in the District’s jurisdiction aged 3 through 5.           <ol style="list-style-type: none"> <li>a. Divide the total amount of the section 619 funds by the total number of eligible children with disabilities in the District’s jurisdiction aged 3 through 5.</li> <li>b. Multiply the result by the eligible parentally placed private school children aged 3 through 5 with disabilities.</li> </ol> </li> <li>2. Create a sub-account within the Special Ed Cluster grant project to track the proportionate share expenditures for non-public schools Special Ed cluster for Section 619.</li> </ol>	<ul style="list-style-type: none"> <li>• The MEGS application will be amended to include appropriate narrative and budget lines to demonstrate how the disproportionate funds will be used for non public students.</li> <li>• The Office of Budget has set up account strings with a special program number that will be used to purchase personnel services as needed as well as non-personnel goods and services for non-public students.</li> <li>• The goods and services provided by the Office of Specialized Student Services staff will be tracked on the General Ledger separately from other program expenses.</li> <li>• The Office of Specialized Student Services staff will maintain a file of documentation related to each expenditure request made on behalf of non-public students.</li> </ul>

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<p><b>2008-68: Matching - Matching In-Kind Contributions Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The amount of the in-kind match reported for the disabilities support activity of this program was based on percentages of budgeted salaries, wages and fringe benefits and is not supported by personnel activity reports or equivalent documentation.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should develop and implement internal control procedures to ensure that charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, are supported by personnel activity reports or equivalent documentation.</p>	<p>The Department of Funds and Development will:</p> <ol style="list-style-type: none"> <li>1. Document all Matching in-kind contributions or services provided for disabilities support activity in the Head Start and all other programs in accordance with OMB Circular A-87 guidelines.</li> <li>2. Record actual time of services in a Personnel Activity Report for all programs.</li> <li>3. Train Head Start and other program staff on the above procedures.</li> </ol>	<ul style="list-style-type: none"> <li>• The Department of Funds and Development has developed a form to be used by staff to document in-kind contributions and services in accordance with OMB Circular A-87.</li> <li>• The Head Start Project Director officially informed the staff in May 2009 that the policy and practice of calculating in-kind contributions based on parents transport was discontinued.</li> <li>• The Head Start Department trains its staff on the procedures of documenting Head Start parent/community involvement contributions at the beginning of the school year and on as-needed basis throughout the year.</li> </ul>

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<p><b>2008-69: Period of Availability - Payroll and Voucher Transactions Compliance</b></p> <p><b>Prior Year Finding: 2007-62, 2007-86</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The District had multiple payroll and voucher transactions that were not charged in the period in which they were obligated.</p> <p><b><u>Recommendation:</u></b></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>Multiple payroll and voucher transactions could have been erroneously charged to the incorrect grant period as a result of the following:</p> <ol style="list-style-type: none"> <li>1. Employees who are charged to grant-funded positions were not terminated at the grant expiration date, and therefore costs continued to be incurred which were charged to the grant.</li> <li>2. The A/P system automatically defaults to a new fiscal year on July 1. Invoices were processed using incorrect funding source (account number) for FY 08 transactions. The funding source for the invoices processed for the prior year was not manually changed to reflect the transaction period.</li> </ol> <p>The Department of Funds and Development will modify its procedures to ensure that expenditures are charged to the period in which they are obligated by performing the following:</p> <ol style="list-style-type: none"> <li>1. Review requisitions for the period of availability, service period, funding source coding accuracy, and allowability of cost.</li> <li>2. Compile a listing of grant expiration dates.</li> </ol>	<ul style="list-style-type: none"> <li>• The Department has compiled a listing of grant funded positions and expiration dates.</li> <li>• The Accounts Payable Department has created a procedure guide for all staff who process invoices and A/P transactions. The Supervisor has also trained the staff on how to change default settings in the accounting system to indicate the correct funding source. The staff was retrained at year-end to ensure that FY 2009 transactions processed in the new fiscal year starting July 1, 2009 are charged to the correct fiscal year.</li> <li>• Title I Desk Compliance Administrators currently review and evaluate the requisitions input by schools to determine the allowable use of Title I funds. This process includes the verification of the funding source. Administrators will continue to monitor this process to ensure that only allowable requests for services are approved.</li> <li>• The Department of Funds and Development provides a list of critical dates and timelines detailing the use and access to all grants funds. This information is sent to</li> </ul>

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		<p>school administrations and project managers. Compliance Administrators also participate in Principals meetings conducted in collaboration with the Assistant Superintendent.</p>

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<p><b>2008-70: Period of Availability - Reimbursement Requests Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>In February 2008, the District submitted a single reimbursement request for the project months of November 2007 through January 2008. The amount requested for reimbursement included costs that were incurred in August 2007. The costs that were incurred in August 2007 and reported as expenditures of the 2007/08 program year do not represent federal award expenditures that were incurred within the program's period of availability.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should implement changes to existing control procedures to ensure that amounts reported for reimbursement are a true and accurate representation of expenditures for the project.</p>	<ol style="list-style-type: none"> <li>1. The Head Start and other programs staff will submit all requisitions to the Office of Grant Compliance for review and approval before services are provided. The requisitions must have the expected delivery date of service.</li> <li>2. The Office of Grant Compliance will review requisitions for period of availability, service date, funding source coding accuracy and allowability of cost.</li> </ol>	<ul style="list-style-type: none"> <li>• The Director of Grant Compliance has submitted a BUR requesting the following changes to the PeopleSoft system:</li> <li>• For Services – The beginning of Date of Service and the Date of Completion fields is mandatory. If these dates are earlier than today, this will be flagged for denial by the Compliance Officer.</li> <li>• Goods – The “Anticipated Date of Delivery” will be made mandatory. If this date is earlier than today, this will be flagged for denial by the Compliance Officer.</li> <li>• The Office of Grant Compliance has updated their policies and procedures to include comprehensive review of requisitions for period of availability, service and goods delivery date, fund coding and allowability of costs. This was communicated to relevant personnel on Monday, June 15, 2009.</li> </ul>

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<p><b>2008-71: Procurement – Approvals Compliance</b></p> <p><b>Prior Year Finding: 2007-97, 2007-100</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>The District did not follow its own approval procedures for grant expenditures.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend the District modify its procedures to ensure that expenditures charged to federal programs are properly approved before being expended.</p>	<p>Contracting and Procurement is in the process of drafting comprehensive policies and procedures.</p> <ol style="list-style-type: none"> <li>1. The revised and updated policies &amp; procedures will include:           <ol style="list-style-type: none"> <li>a. Adequate internal controls to ensure that expenditures charged to federal programs are properly approved.</li> <li>b. Delegation of authority levels and approvals for transactions based on the type and value of each transaction.</li> </ol> </li> <li>2. Contracting and Procurement will enforce all revised and updated policies and procedures including those which require that requisitions for \$25,000 or greater are approved before Purchase Orders are issued.</li> <li>3. Contracting and Procurement will communicate the revised and updated policies and procedures to all DPS departments, districts, and schools; and communicate purchasing policies to vendors.</li> </ol>	<ul style="list-style-type: none"> <li>• Contracting and Procurement has drafted Standard Operating Procedures for competitive procurement processes for grant funded service contracts.</li> </ul>

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<p><b>2008-72: Procurement - Open Competition Compliance</b></p> <p><b>Prior Year Finding: 2007-53, 2007-64, 2007-109</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>The District did not maintain the documentation required for each contract selected for testing.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District modify its procedures to ensure that all supporting documentation is maintained as evidence that contracts undergo the proper procurement process.</p>	<p>Contracting and Procurement will undertake the following:</p> <ol style="list-style-type: none"> <li>1. Design a contract file-folder format to be used for each contract. Each folder will have a standard checklist indicating all the documents contained inside.</li> <li>2. Revise policy and procedures to include:             <ol style="list-style-type: none"> <li>a. All required documentation for each procurement being checked against the checklist at various stages of the procurement process. Any procurement for which required documentation is missing will not be processed further.</li> <li>b. Buyers signing-off and supervisors will review files for completeness of documentation prior to processing each transaction.</li> </ol> </li> </ol> <p>Long-term measures:</p> <ol style="list-style-type: none"> <li>1. Conduct an inventory of existing procurement files.             <ol style="list-style-type: none"> <li>a. Convert inventoried files into the standard format.</li> <li>b. Research and obtain any missing documentation.</li> </ol> </li> <li>2. Maintain electronic copies of contract files.</li> <li>3. Provide training to staff where necessary</li> </ol>	<ul style="list-style-type: none"> <li>• A standard draft checklist indicating all documents contained in the file/folder has been developed. The checklist will be finalized and implemented.</li> <li>• In Fiscal Year 2010, Contracting and Procurement will convert active contracts to electronic records and post these documents to the District's website.</li> </ul>

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<p><b>2008-73: Procurement - Contractual Period of Effect Compliance</b></p> <p><b>Prior Year Finding: 2007-53, 2007-64, 2007-109</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>During our test of contracts, we noted that certain Dell purchase orders were created after the applicable contract had expired.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District properly configure the Procurement Direct Connect system to ensure that all purchases are acquired under active contracts as required.</p>	<p>This finding was noted in the Procurement Direct Connect system. C&amp;P will:</p> <p>Prepare a Business User Request (BUR) to:</p> <ol style="list-style-type: none"> <li>a. Configure PeopleSoft to prevent purchase Orders from being created on expired contracts.</li> <li>b. Configure PeopleSoft workflow to provide early notifications when contracts are due to expire.</li> <li>c. Configure PeopleSoft workflow to notify C&amp;P of any failed purchasing attempt due to expired contracts.</li> </ol>	<ul style="list-style-type: none"> <li>• Contracting and Procurement submitted a BUR to the IT Department on 4/6/09 to create a program to automatically remove school requisitions from sourcing workbench so that the purchase orders can be dispatched to vendors.</li> <li>• The IT Department has created a program to automatically remove school requisitions for Dell and Office Depot from sourcing workbench so that purchase orders can be dispatched to them.</li> </ul>

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<p><b>2008-74: Suspension and Debarment – Verification of Vendors Compliance</b></p> <p><b>Prior Year Finding: 2007-63, 2007-72, 2007-88, 2007-98, 2007-108, 2007-119</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>The District’s policies and procedures do not require verification that vendors with contracts under \$100,000 are not suspended or debarred.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District modify its procedures to verify that potential vendors contracting for amounts greater than \$25,000 are neither suspended nor debarred.</p>	<p>Contracting and Procurement will revise its policies and procedures for suspension and debarment to include the following:</p> <ol style="list-style-type: none"> <li>1. Procedures to verify that vendors providing goods and services have not been suspended or debarred from federal procurement or contracts.</li> <li>2. Prohibit the award of a sub award, contract or any other agreement for program administration, goods, services or any other program purpose with any suspended or debarred party.</li> <li>3. Procedures that require staff to determine that entities receiving sub awards of any value and procurement contracts equal to or exceeding \$25,000 and their principals are not suspended or debarred, and specify the means that will be used to make that determination, i.e., checking the Excluded Parties Listing System (EPLS), which is maintained by the General Services Administration; obtaining a certification and inserting a clause in the procurement agreement.</li> </ol>	<ul style="list-style-type: none"> <li>• Contracting and Procurement has developed a standard Excluded Party List review sign-off form that will be placed in every procurement file/folder as documentation for the required review.</li> </ul>

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<p><b>2008-75: Reporting – Preparation of Schedule of Expenditures of Federal Awards Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The District initially classified \$2.3 million of federal expenditures under the Title II Part A grant that was actually transferred to Title V.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District implement a system to identify funds transferred between federal programs to allow for accurate reporting on the SEFA.</p>	<p>The amount in question was originally a Title II Part A grant. The District had an approval to transfer the amount to Title V. However, when the SEFA Report was prepared, the portion transferred was reported as Title II expenditures rather than as Title V expenditures. In accordance with the OMB Circular A-133 transferability provision under the ESEA grants, a transferred expenditure from one program to another should be reported under the receiving program on the SEFA Report.</p> <p>The Accounting Department has a process in place to compile a listing of grants awarded by grant name, State/CFDA number, grant period, grant award amount, and approved date.</p> <p>To ensure that all transferable grants are reported correctly in the SEFA, the Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Indicate in the grant listing compiled which grants are transferable.</li> <li>2. This list will be compared with the SEFA report for accuracy and completeness.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department has indicated in the grant listing compiled which grants are transferable.</li> <li>• The list has been compared to the SEFA Report for accuracy and completeness.</li> </ul>

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<p><b>2008-76: Reporting – Submission of Final Reports (DS-4044) and Submission of Final Cost Control Statement Compliance</b></p> <p><b>Prior Year Finding: 2007-65</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>Upon review of the final expenditure reports for Title I and Title II, it was determined that they were not submitted until January 2008.</p> <p>The District’s final Cost Control Statement for Head Start for program year 2006/07 was due November 30, 2007, and was not filed with the grantor until after January 28, 2008.</p> <p><b><u>Recommendation:</u></b></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>When the Accounting Department prepares the Title I and Title II Final Expenditures Reports, they are sent to the Department of Funds and Development for review and approval. The review and approval process takes longer than expected to be returned to Accounting for the reports to be submitted on time.</p> <ol style="list-style-type: none"> <li>1. The Accounting Department will prepare and send the reports to the Department of Funds and Development for review and approval thirty (30) days prior to due date.</li> <li>2. The Department of Funds and Development will review and approve the reports within three weeks from date of receipt. All necessary corrections will be done within the three weeks time frame.</li> <li>3. The Accounting Department will submit reports three days prior to due date.</li> </ol>	<ul style="list-style-type: none"> <li>• Accounting Department has established a review and approval process for the preparation of the Final Expenditure Report for Title I and Title II.</li> <li>• The Accounting Department has initiated the preparation of the final expenditure reports and has submitted an interim report to the Department of Funds and Development for review. This process will continue until the final report is issued.</li> </ul>

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<p><b>2008-77: Reporting – Expenditures Reported in the Wrong Period Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>Amounts reported as federal award expenditures for the grant period ended June 30, 2007 included \$716,376 of payroll related expenditures that were incurred after the end of the grant period.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should modify existing control procedures to ensure that amounts reported as federal award expenditures are incurred within the appropriate grant period.</p>	<p>This problem resulted from not terminating grant funded employees at the expiration of grants.</p> <p>The Accounting Department will:</p> <ol style="list-style-type: none"> <li>1. Develop procedures for the cut-off of federal expenditures to ensure that they are recorded within the appropriate grant period.</li> <li>2. Review grants that expired in FY08 to ensure that no charges were made in FY09 after grant expiration.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department performed this review in September 2008 and has done the same in September 2009.</li> </ul>

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<p><b>2008-78: Reporting – No Reconciliation of Report to the Underlying Records Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>The final amount of federal award expenditures that was reported by the District for the program year ended July 31, 2007 (\$7,501,907) exceeded the amount of expenditures that was accounted for in the accounting records (\$6,876,030).</p> <p><b><u>Recommendation:</u></b></p> <p>None.</p>	<p>The Reading First Grant period ends on June 30<sup>th</sup> and the Final Expenditure Report is due on August 30<sup>th</sup>. Because this is the end of the fiscal year, the system does not close until the later date. Adjusting entries may be posted to the account after the report has been prepared and submitted to the State. The Accounting Department can submit a supplemental to correct the original entry. However to do that they have to submit a request to the State to have the report re-opened for adjustment to be posted.</p> <ol style="list-style-type: none"> <li>1. The Accounting Department will immediately re-run the Expenditures Report after all adjusting entries have been posted and the books are closed.</li> <li>2. Compare the Final Expenditures figures to the Report submitted.</li> <li>3. Prepare a supplemental report if the total of the final expenditures is different from the original report.</li> <li>4. Submit a request to the State to have the report re-open for the supplemental to be posted.</li> <li>5. This process will become part of the Accounting Department Reading First Grant Final Expenditures Reporting Policy and Procedure.</li> </ol>	<ul style="list-style-type: none"> <li>• The Accounting Department downloaded the Expenditures Report on February 19, 2009 and prepared a revised Final Expenditure Report on March 13, 2009.</li> <li>• The request to the State to have the Report re-opened for revisions was made on March 4, 2009.</li> </ul>

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<p><b>2008-79: Reporting – In-Kind Contributions Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>For each student enrolled in the program, the District reports 15 minutes as in-kind contributed hours each time a parent signs-in his/her child for school and another 15 minutes every time a parent signs-out his/her child for school, regardless of the actual amount of time the parent spends volunteering time to the program.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should develop and implement control procedures to ensure that only actual volunteer hours are reported as in-kind matching contributions and that the amount reported does not include time for parent pick-up and drop-off activities.</p>	<ol style="list-style-type: none"> <li>1. All In-kind contributions or voluntary services by a parent whose child is participating in the Head Start and other programs will be documented.</li> <li>2. Actual time of services will be logged in a sign-in sheet to be maintained for every Head Start and other programs.</li> <li>3. Head Start and other program staff will be trained in the above procedures.</li> </ol>	<ul style="list-style-type: none"> <li>• The Head Start Program Director has developed a form “Prekindergarten Parent/Community Involvement Contributions Report” for tracking parents’ in-kind contribution. This implementation is for CAP numbers 1 &amp; 2.</li> <li>• The Head Start Project Director officially informed the staff in May 2009 that the policy and practice of calculating in-kind contributions based on parents transport was discontinued.</li> <li>• The Head Start department trains its staff on the procedures of documenting Head Start parent/community involvement contributions at the beginning of the school year and on as-needed basis throughout the year.</li> </ul>

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<p><b>2008-80: Special Test and Provisions – Schools Identified for Improvement Compliance</b></p> <p><b>Prior Year Finding: None</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>During the year, certain Title I, Part A eligible schools which were identified for improvement did not spend 10% of their funding on professional development, as required.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District implement policies and procedures sufficient to ensure that 10% of the actual Title I, Part A expenditures are spent on professional development, as required.</p>	<p>The Director of the Title I program will:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Assistant Superintendents 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.</li> <li>3. Monitor the selected schools to ensure they are in compliance with the requirements.</li> <li>4. Require a professional development calendar for each school to be maintained at the school for review by the monitoring team.</li> <li>5. Instruct the Title I Field Services task force monitors to ensure implementation of professional development activities.</li> <li>6. The Department of Funds and Development will request the CFO to set up an account sub code to track professional development expenditures.</li> </ol>	<ul style="list-style-type: none"> <li>• The Title I Field Services task force uses the monitoring guide referenced below.</li> <li>• The District uses an account sub-code (221.30) to track professional development expenditures.</li> <li>• Effective February 3, 2009, the Office of Title I/31a Compliance implemented a realignment to provide a more effective oversight of the District’s Title I and 31a programs and funding at the local schools. The Compliance Administrators were assigned to Desk Compliance Review or Monitoring. The Monitoring and Field Services Administrators perform on-site monitoring visits at the respective schools to verify program compliance. The “Look Fors” Monitoring Guide used by the team includes verification and validation of the schools compliance with professional development requirements.</li> </ul>

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<p><b>2008-81: Special Tests and Provisions – School-wide Programs Compliance</b></p> <p><b>Prior Year Finding: 2007-66, 2007-90, 2007-101, 2007-110, 2007-120</b></p> <p><b>Material Weakness</b></p> <p><b><u>Condition:</u></b></p> <p>Of the 18 school-wide programs selected for testing, two of the programs did not have a plan that included all five required components.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District implement a policy to perform adequate follow-up on school-wide plan reviews to ensure that necessary changes are being made timely.</p>	<p>The Curriculum Department will:</p> <ol style="list-style-type: none"> <li>1. Monitor the school-wide plans to ensure that they have all of the following ten essential components:           <ol style="list-style-type: none"> <li>a. Comprehensive needs assessment – Test data, charts and graphs, four types of data: i. outcome ii. Demographic iii. Process iv. Perception.</li> <li>b. School-wide reform strategies</li> <li>c. Instruction by highly-qualified professional staff (teachers to instructional paraprofessionals).</li> <li>d. Strategies to attract high quality, highly qualified teachers to high needs schools.</li> <li>e. High quality and ongoing professional development.</li> <li>f. Strategies to increase parental involvement</li> <li>g. Preschool transition strategies</li> <li>h. Teacher participation in making assessment decisions.</li> <li>i. Timely and additional assistance to students</li> <li>j. Coordination and integration of Federal, State and Local programs and resources.</li> </ol> </li> <li>2. Review the school-wide plans to ensure that they are properly implemented.</li> <li>3. Perform follow-up reviews to ensure that findings are resolved timely.</li> <li>4. Review all school-wide programs in FY09 to ensure that they have all five components and make any necessary corrections.</li> </ol>	<p>The Curriculum Department has done the following:</p> <ul style="list-style-type: none"> <li>• Developed a tool to monitor the school-wide plans to ensure that they have all the required ten components.</li> <li>• Developed a monitoring and review schedule for the 2009/10 school year.</li> <li>• Provided a documented school improvement peer review process.</li> </ul>

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<p><b>2008-82: Special Tests and Provisions – Enrollment of Children with Disabilities Compliance</b></p> <p><b>Prior Year Finding: 2007-77</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>The District did not attain 10% enrollment of children with disabilities within 90 days of the beginning of classes.</p> <p><b><u>Recommendation:</u></b></p> <p>The District should implement changes to existing control procedures to ensure that 10% enrollment of children with disabilities is attained within 90 days of the beginning of classes.</p>	<p>The Assistant Superintendent for Primary Education will:</p> <ol style="list-style-type: none"> <li>1. Budget to hire during 2009/2010 school year an additional Disability Coordinator/Psychologist to help during school enrollment period to diagnose children with disabilities.</li> <li>2. Hold weekly meetings during the 90 days enrollment period with the interdisciplinary team (nurse, nutrition coordinator, social worker, and family service workers, Disability Coordinator) to review and ensure that children with disabilities have been identified and properly documented ensuring compliance with the 10% enrollment requirements.</li> <li>3. Ensure that the existing student enrollment policies and procedures are strictly followed to guarantee compliance with the 10% enrollment requirements.</li> </ol>	<ul style="list-style-type: none"> <li>• The Assistant Superintendent for Primary Education (ASPE) has</li> <li>• Budgeted for an additional position for a Disability Coordinator/Psychologist to help during school enrollment period to diagnose children with disabilities. This position will be filled in the 2009/2010 school year.</li> <li>• The ASPE has also developed a calendar and drafted a notification memorandum to all prekindergarten staff for weekly meetings during the ninety (90) days enrollment period with the interdisciplinary team (nurse, nutrition coordinator, social worker and family service workers, Disability Coordinator). The purpose of this meeting is to perform a review to ensure that children with disabilities have been identified and properly documented to meet compliance of the 10% enrollment requirements.</li> <li>• Performed the following tasks to ensure that the existing student enrollment policies and procedures are strictly followed to guarantee compliance with the 10% enrollment requirements:</li> </ul>

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		<ul style="list-style-type: none"> <li>• Communicated to Head Start teachers through a memorandum on steps to take to ensure compliance with the 10% enrollment requirements.</li> <li>• Communicated to medical service agencies through a letter dated June 29, 2009, the need to communicate to the District prekindergarten children with disabilities.</li> </ul>

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Findings and Recommendations	Corrective Action Plan	Current Status
<p><b>2008-83: Special Tests and Provisions – Individual Education Plan Compliance</b></p> <p><b>Prior Year Finding: 2007-75</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>Examination of the District’s internally maintained documentation of IEPs on file indicates that the District did not comply with this contract provision.</p> <p><b><u>Recommendation:</u></b></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.</p>	<p>The Assistant Superintendent for Primary Education will:</p> <ol style="list-style-type: none"> <li>1. Budget to hire during 2009/2010 school year an additional Disability Coordinator/Psychologist to help during school enrollment period to diagnose children with disabilities.</li> <li>2. Create a checklist of all documents that are to be maintained in a student file to include an Individual Education Plan for each child professionally diagnosed with disabilities among others.</li> <li>3. Train teachers and family services worker on the documents that are to be maintained in student’s cumulative records.</li> <li>4. Review at the beginning of the school year all individual student records to ensure that all required documentation are on file</li> <li>5. Coordinate with the Office of Student Specialized Services to ensure that for each child professionally diagnosed with disabilities, there is an Individual Education Plan.</li> </ol>	<p>The Assistant Superintendent for Primary Education has:</p> <ul style="list-style-type: none"> <li>• Budgeted for an additional position for a Disability Coordinator/Psychologist to help during school enrollment period to diagnose children with disabilities. This position will be filled in the 2009/2010 school year.</li> <li>• Created a checklist of all documents that should be maintained in a student file. This checklist includes an individual education plan for each child professionally diagnosed with disabilities among others.</li> <li>• Scheduled tentative specialized services meeting calendar. Teachers and family services workers will be trained during some of these meetings on the documents that are to be maintained in students’ cumulative records. A record of each training activities will be maintained such as sign-in sheets, training materials etc.</li> <li>• Created a child tracking tool to facilitate the review at the beginning of the school year of all individual student records to ensure that all required documentation are</li> </ul>

Detroit Public Schools  
 Corrective Action Plan and Status of Implementation  
 For the Single Audit for the Year Ended June 30, 2008

Findings and Recommendations	Corrective Action Plan	Current Status
		<p>on file.</p> <ul style="list-style-type: none"> <li>• Drafted a memo to all prekindergarten staff informing them of interdisciplinary team calendar where meetings will focus on reviewing and ensuring that young learners with disabilities have been identified and properly serviced or placed.</li> </ul>

Detroit Public Schools  
 Corrective Action Plan and Status of Implementation  
 For the Single Audit for the Year Ended June 30, 2008

Findings and Recommendations	Corrective Action Plan	Current Status
<p><b>2008-84: Special Tests and Provisions - Physical Examination and TB Testing Compliance</b></p> <p><b>Prior Year Finding: 2007-79</b></p> <p><b>Significant Deficiency</b></p> <p><b><u>Condition:</u></b></p> <p>We selected a sample of 15 personnel files. All of the personnel files tested contained documentation of physical examinations and TB test results; however, for nine (9) of the files tested, the documentation was dated after the end of the fiscal year.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the District implement procedures to ensure that all required employees receive annual physical exams and TB tests.</p>	<p>The Assistant Superintendent will</p> <ol style="list-style-type: none"> <li>1. Create a checklist for each personnel file to monitor which employee has not submitted annual physical exams, TB test results and other required documentation on a timely basis.</li> <li>2. Create a data base to track employees' files for required documentation and send notices to those not in compliance.</li> </ol>	<ul style="list-style-type: none"> <li>• The Assistant Superintendent has created a checklist for each personnel file/folder to monitor the employees who have not submitted annual physical exams, TB test results, and other required documentation on a timely basis.</li> <li>• The checklist and the documentation will be maintained in an established folder in the computer system.</li> </ul>