

School District of the City of River Rouge

**Federal Awards
Supplemental Information
June 30, 2011**

School District of the City of River Rouge

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Independent Auditor's Report

To the Board of Education
School District of the City of River Rouge

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the School District of the City of River Rouge (the "School District") as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 9, 2011. These basic financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

As more fully described in the management's discussion and analysis section and Note 2 to the financial statements, the School District has incurred revenue in excess of expenditures of \$68,620 in the General Fund. The General Fund is in a \$2,987,287 deficit position at June 30, 2011. Management represents that the School District anticipates an increase in students for the fiscal year ending June 30, 2012, thus helping to reduce the fund balance deficit. As of the report date, the pupil count has increased 59 students, from 1,090 (2010 fall count) to 1,149 (September unaudited pupil count). State law requires the School District to continue to implement cost-cutting initiatives that will enable it to continue to bring revenue in line with expenditures and eliminate the General Fund deficit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of River Rouge's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 9, 2011

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Education
School District of the City of River Rouge

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the School District of the City of River Rouge (the "School District") as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 9, 2011. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Education
School District of the City of River Rouge

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District of the City of River Rouge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as Findings 2011-1 and 2011-2.

We also noted certain matters that we have reported to management of the School District of the City of River Rouge in a separate letter dated November 9, 2011.

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

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

Plante & Morse, PLLC

November 9, 2011

**Report on Compliance with Requirements That Could Have a Direct and
Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

To the Board of Education
School District of the City of River Rouge

Compliance

We have audited the compliance of the School District of the City of River Rouge (the "School District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The major federal programs of the School District of the City of River Rouge are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District of the City of River Rouge's management. Our responsibility is to express an opinion on the School District of the City of River Rouge's compliance based on our audit.

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

As described in Finding 2011-3 in the accompanying schedule of findings and questioned costs, the School District of the City of River Rouge did not comply with requirements regarding procurement and suspension and debarment and activities allowed or unallowed that are applicable to its Title I program. Compliance with such requirements is necessary, in our opinion, for the School District of the City of River Rouge to comply with the requirements applicable to that program.

To the Board of Education
School District of the City of River Rouge

In our opinion, except for the noncompliance described in the preceding paragraph, the School District of the City of River Rouge complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the School District of the City of River Rouge is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District of the City of River Rouge's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2011-3 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2011-4 to be a significant deficiency.

To the Board of Education
School District of the City of River Rouge

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

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

Plante & Morse, PLLC

November 9, 2011

School District of the City of River Rouge

Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2010	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
Clusters:							
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:							
Noncash Assistance (Commodities):							
Entitlement commodities - 2010-2011	10.555	\$ 29,741	\$ -	\$ -	\$ 29,741	\$ 29,741	\$ -
Bonus commodities - 2010-2011		<u>1,614</u>	<u>-</u>	<u>-</u>	<u>1,614</u>	<u>1,614</u>	<u>-</u>
Total Noncash Assistance (Commodities)		31,355	-	-	31,355	31,355	-
Cash Assistance:							
National School Breakfast Program - 2009-2010	10.553	124,551	124,551	8,427	8,427	-	-
National School Breakfast Program - 2010-2011		<u>132,956</u>	<u>-</u>	<u>-</u>	<u>122,588</u>	<u>132,956</u>	<u>10,368</u>
Total National School Breakfast Program		257,507	124,551	8,427	131,015	132,956	10,368
National School Lunch Program:							
2009-2010 Snacks	10.555	11,271	11,271	640	640	-	-
2010-2011 Snacks		<u>11,338</u>	<u>-</u>	<u>-</u>	<u>10,772</u>	<u>11,338</u>	<u>566</u>
2009-2010 Lunch		401,308	401,308	25,402	25,402	-	-
2010-2011 Lunch		<u>354,694</u>	<u>-</u>	<u>-</u>	<u>333,837</u>	<u>354,694</u>	<u>20,857</u>
Total National School Lunch Program		778,611	412,579	26,042	370,651	366,032	21,423
Summer Food Service Program:							
2009-2010	10.559	19,829	19,829	3,515	3,515	-	-
2010-2011		<u>33,591</u>	<u>-</u>	<u>-</u>	<u>30,439</u>	<u>33,591</u>	<u>3,152</u>
Total Summer Food Service Program		53,420	19,829	3,515	33,954	33,591	3,152
Total Cash Assistance		<u>1,089,538</u>	<u>556,959</u>	<u>37,984</u>	<u>535,620</u>	<u>532,579</u>	<u>34,943</u>
Total Child Nutrition Cluster		1,120,893	556,959	37,984	566,975	563,934	34,943
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County ISD - IDEA:							
Project number 100450-0910	84.027	356,671	277,498	51,617	51,617	-	-
Project number 100450-0910 carryover		<u>79,173</u>	<u>-</u>	<u>-</u>	<u>41,334</u>	<u>79,173</u>	<u>37,839</u>
Project number 110450-1011		<u>393,507</u>	<u>-</u>	<u>-</u>	<u>181,563</u>	<u>383,346</u>	<u>201,783</u>
Total Special Education Cluster		829,351	277,498	51,617	274,514	462,519	239,622

See Notes to Schedule of Expenditures
of Federal Awards.

School District of the City of River Rouge

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2010	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
Clusters (Continued):							
State Fiscal Stabilization Fund Cluster - U.S. Department of Education - Passed through the Michigan Department of Education - State Fiscal Stabilization Fund (SFSF) - Education Grants, Recovery Act (Education Stabilization Fund) - Project Number 1011							
	84.394	\$ 142,228	\$ -	\$ -	\$ 142,228	\$ 142,228	\$ -
Title I, Part A Cluster - U.S. Department of Education - Passed through the Michigan Department of Education:							
Title I:							
Project number 0915300910	84.010	1,710,520	856,643	245,809	542,307	296,498	-
Project number 1015301011		1,875,696	-	-	1,007,499	1,467,319	459,820
Project number 0915300910		60,000	-	-	59,942	59,942	-
Project number 1015301011		60,000	-	-	8,520	8,520	-
ARRA Title I:							
Project number 1015350910	84.389	1,083,893	685,439	141,279	234,064	92,785	-
Project number 1015351011	84.389	305,668	-	-	135,216	178,935	43,719
Project number 1015551011	84.389A	179,221	-	-	53,890	81,929	28,039
Total Title I, Part A Cluster		5,274,998	1,542,082	387,088	2,041,438	2,185,928	531,578
Education Technology State Grants Cluster - U.S. Department of Education: Passed through the Michigan Department of Education - ARRA Technology Literacy Challenge Fund Grant:							
Project number 1042950910	84.386	32,523	-	-	15,583	15,583	-
Project number 1142951011		16,940	-	-	-	16,481	16,481
Total Technology Literacy Challenge Fund Grant		49,463	-	-	15,583	32,064	16,481
Passed through the Washtenaw ISD - Title II D-Educational Technology - 2010-11 Year 2							
	84.318	163,800	-	-	126,743	154,312	27,569
Total Education Technology State Grants Cluster		213,263	-	-	142,326	186,376	44,050

School District of the City of River Rouge

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2010	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
Clusters (Continued):							
Impact Aid Cluster - U.S. Department of Education - Direct Program - Impact Aid - Title VIII of ESEA	84.041	\$ 15,176	\$ -	\$ -	\$ 15,176	\$ 15,176	\$ -
Medicaid Cluster - Passed through the Wayne County RESA - Medical Assistance Program (Medicaid, Title XIX) - Medicaid Outreach 2010-11	93.778	<u>3,272</u>	<u>-</u>	<u>-</u>	<u>1,900</u>	<u>3,272</u>	<u>1,372</u>
Total clusters		7,599,181	2,376,539	476,689	3,184,557	3,559,433	851,565
Other federal awards:							
U.S. Department of Education - Passed through the Michigan Department of Education: Education Jobs Fund - Project Number 1011	84.410A	138,879	-	-	138,879	138,879	-
Title II, Part A - Improving Teacher Quality:	84.367						
Project number 1005200910		410,533	278,376	61,495	153,496	92,001	-
Project number 1105201011		<u>289,109</u>	<u>-</u>	<u>-</u>	<u>113,765</u>	<u>131,874</u>	<u>18,109</u>
Total Title II, Part A		<u>699,642</u>	<u>278,376</u>	<u>61,495</u>	<u>267,261</u>	<u>223,875</u>	<u>18,109</u>
Total noncluster programs passed through the Michigan Department of Education		838,521	278,376	61,495	406,140	362,754	18,109
U.S. Department of Defense - Direct Program - MCROTC:	17.250						
2009-2010		33,665	33,665	2,469	2,469	-	-
2010-2011		<u>41,404</u>	<u>-</u>	<u>-</u>	<u>38,925</u>	<u>41,404</u>	<u>2,479</u>
Total U.S. Department of Defense		75,069	33,665	2,469	41,394	41,404	2,479

School District of the City of River Rouge

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2010	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
Other federal awards (Continued):							
U.S. Department of Education - Direct Program:							
Downriver Community Leadership - Project number U215K100085	84.215	\$ 200,000	\$ -	\$ -	\$ -	\$ 67,955	\$ 67,955
Readiness and Emergency Management For Schools: Project number Q184E09188	84.184	248,365	94,830	14,099	14,099	-	-
Project number Q184E09188		153,535	-	-	153,535	153,535	-
Total REMS		401,900	94,830	14,099	167,634	153,535	-
Total U.S. Department of Education - Direct		601,900	94,830	14,099	167,634	221,490	67,955
Total noncluster direct programs		676,969	128,495	16,568	209,028	262,894	70,434
Passed through the Wayne County ISD:							
Vocational Education - Basic Grants to States - Perkins III: 2009-2010	84.048	43,098	43,098	22,864	22,864	-	-
2010-2011		46,728	-	-	21,763	44,028	22,265
Total Vocational Education - Basic Grants to States - Perkins III		89,826	43,098	22,864	44,627	44,028	22,265
Title I Accountability Grant 0910	84.377A	12,394	-	-	2,061	2,061	-
Total noncluster programs passed through the Wayne County ISD		102,220	43,098	22,864	46,688	46,089	22,265
Passed through the Monroe IDS - Tech Prep:							
2009-10	84.243	2,154	1,262	1,262	1,262	-	-
2010-11		1,288	-	-	1,071	1,071	-
Total Tech Prep		3,442	1,262	1,262	2,333	1,071	-

School District of the City of River Rouge

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2010	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
Other federal awards (Continued):							
Passed through Wayne Metro - 21st Century Community Learning:	84.287						
2009-10		\$ 45,000	\$ 36,952	\$ 21,345	\$ 21,345	\$ -	\$ -
2010-11		45,000	-	-	28,904	44,481	15,577
Total 21st Century		90,000	36,952	21,345	50,249	44,481	15,577
Total noncluster		1,711,152	488,183	123,534	714,438	717,289	126,385
Total federal awards		<u>\$ 9,310,333</u>	<u>\$ 2,864,722</u>	<u>\$ 600,223</u>	<u>\$ 3,898,995</u>	<u>\$ 4,276,722</u>	<u>\$ 977,950</u>

School District of the City of River Rouge

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the School District of the City of River Rouge under programs of the federal government for the year ended June 30, 2011. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-87, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-133, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the School District of the City of River Rouge, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the School District of the City of River Rouge. Pass-through entity identifying numbers are presented where available.

Note 2 - Grant Section Auditor's Report

Management has utilized Form R-7120 and the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 3 - Noncash Assistance

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

School District of the City of River Rouge

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified for all major programs except for Title I, which was qualified

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010, 84.389	Title I Cluster
84.410	Education Jobs
84.394	Education Grants Recovery Act (Education Stabilization Funds)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

School District of the City of River Rouge

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings

Reference Number	Finding
2011-1	<p>Finding Type - Material noncompliance with laws and regulations</p> <p>Criteria - The State of Michigan Uniform Budgeting and Accounting Act prohibits school districts from having expenditures in excess of the adopted budget and prohibits school districts from depleting fund balances beyond that which has been approved by the Board of Education.</p> <p>Condition - The School District has been in a deficit fund balance position for four consecutive years. However, the School District is currently operating within the parameters of the deficit elimination plan that was approved by the State of Michigan and the Board of Education.</p> <p>Context - The School District is currently operating under a deficit elimination plan approved by the State that would affect all aspects of operations.</p> <p>Cause - The School District is not in compliance with the State of Michigan Uniform Budgeting and Accounting Act and therefore is required to have a deficit elimination plan and to operate within its parameters.</p> <p>Effect - The School District has a fund balance deficit in the General Fund of approximately \$3,000,000 at June 30, 2011.</p> <p>Recommendation - The School District should continue to review budgeting policies and procedures to ensure compliance with the approved deficit plan and the Michigan Uniform Budgeting and Accounting Act. Additionally, management should continue to enact changes to increase revenue and reduce expenditures in order to eliminate the deficit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Responsible parties within the business office are working to ensure the School District is in compliance with the approved deficit plan and the Michigan Uniform Budgeting and Accounting Act in the future.</p>

School District of the City of River Rouge

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-2	<p>Finding Type - Material noncompliance with laws and regulations</p> <p>Criteria - During the year, the School District did not make scheduled payments of principal and interest on its energy conservation agreement loan and is in default of the loan's contractual provisions for the second consecutive year.</p> <p>Condition - Due to a contract dispute with the Honeywell Company, the School District has withheld its interest and principal payments related to the amounts due on the debt for the last two consecutive years.</p> <p>Context - The contract dispute has resulted in principal and interest payments in the amount of \$343,811 for the year ended June 30, 2011 not being paid. Additionally, this is the second consecutive year the debt payments have not been paid. The total accumulated amount due on the loan of \$687,621 is presented as a current obligation within the General Fund.</p> <p>Cause - The cause of this condition is related to a dispute with the Honeywell Company.</p> <p>Effect - The dispute with the Honeywell Company has caused the nonpayment of the contract for the last two years and is a noncompliance condition related to the School District's contractual agreements.</p> <p>Recommendation - The School District, in conjunction with its outside legal counsel, should evaluate its potential exposure and find a resolution to this dispute.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District is working with its legal counsel to resolve the dispute.</p>

School District of the City of River Rouge

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section III - Federal Program Audit Findings

Reference Number	Finding
2011-3	<p>Program Name - Title I (CFDA # 84.010)</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Criteria - Office of Management and Budget Circular No. A-87, <i>Cost Principles for State, Local, and Indian Tribal Governments</i>, requires that when contracts for services are performed, the School District should ensure that payment is supported by details of services provided (whom, when, and how much). Additionally, the MDE SES Guidelines provide guidance to school districts on the requirements for student attendance verification and billing/invoice process.</p> <p>Condition - As a result of our audit, it was identified that various tutoring invoices that related to two different SES vendor contracts did not have the proper documentation to support the services occurred.</p> <p>Questioned Costs - \$91,620</p> <p>Context - Purchased and contracted services related to the SES program are significant and amount to approximately \$300,000 in the current year. Additionally, it appears that there is a possible conflict of interest with the School District and one of the SES providers. The pass-through entity is currently in an ongoing investigation regarding this program and as of the report date has not finalized the report.</p> <p>Cause and Effect - The expenditures charged to the grant were not properly supported with documentation related to the hours being billed or paid on various invoices. Improper documentation resulted in a noncompliance finding related to procurement requirements and allowable costs as stated in the supplement and the SES Guidelines.</p> <p>Recommendation - The School District should ensure that it has proper oversight and independent review of controls in place to make sure the School District is being billed for services that actually occurred and that they are being billed according to contracts and grant guidelines with vendors. In addition, there should be board approval for all contracts that are expected to amount over a certain dollar threshold. Invoices for tutoring services should also be accompanied by independent verification that the services took place according to the terms of the contract and guidelines and should be obtained prior to approval for payment.</p>

School District of the City of River Rouge

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-3 (Continued)	Views of Responsible Officials and Planned Corrective Actions - The School District is currently in the process of implementing new policies regarding the tutoring program, which include additional controls and a higher level of monitoring.

School District of the City of River Rouge

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-4	<p>Program Name - Title I (CFDA #s 84.010 and 84.389)</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Significant deficiency and noncompliance</p> <p>Criteria - According to the Office of Management and Budget Circular No. A-87, <i>Cost Principles for State, Local, and Indian Tribal Governments</i>, funds can only be requested for allowable expenditures that meet the general criteria and are consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit.</p> <p>Condition - Funds were requested for expenditures not originally budgeted for under the Title I program.</p> <p>Questioned Costs - \$9,980</p> <p>Context - The School District requested reimbursement for expenditures that were not budgeted for under the Title I grant in the amount noted above. The amount is less than the required questioned cost threshold; however, the total extrapolated error of this finding is greater than \$10,000 and therefore is being reported. Subsequently, these expenditures were budgeted for use in the Title I ARRA grant and subsequently moved after identification.</p> <p>Cause and Effect - Proper monitoring controls were not in place by the School District, including expense and grant classification. This resulted in improper expense account classifications between grants and therefore improper reimbursement requests being submitted by the School District.</p> <p>Recommendation - The School District should implement procedures to ensure items are being properly charged to the correct grant.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Expenditures requested for reimbursement were subsequently reallocated to the proper grant. The School District is in the process of evaluating its current account procedures and internal control processes, which include job tasks being reassigned and the appropriate level of management oversight.</p>

Auditee Name: School District of the City of River Rouge

Summary Schedule of Prior Audit Findings For The Year Ended June 30, 2010

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<i>(1) Audit findings that have been fully corrected:</i>					
2010	2010-1	The District's revenue and expenditures did not conform to the budgeted amounts indicated in its deficit elimination plan, and the District has not made sufficient progress to eliminate its deficit within the prescribed timeframe.		None	The District is in compliance with the approved deficit elimination plan for the 2010-2011 year.
<i>(2) Audit findings not corrected or partially corrected:</i>					
2010	2010-2	The District did not make scheduled payments of principal and interest on its Energy Conservation Agreement loan and is in default of the loan's contractual provisions.		None	The District did not make scheduled payments due to the contract being in dispute. The District's attorney has been corresponding with CitiCorp regarding the original contract.