
The School District of the City of Detroit's Administration of Parental Involvement Funds Under the No Child Left Behind Act of 2001

FINAL AUDIT REPORT



ED-OIG/A05F0018
June 2006

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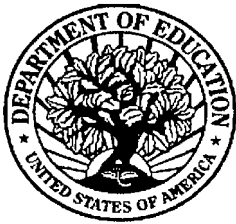


U.S. Department of Education
Office of Inspector General
Chicago, Illinois

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June 22, 2006

Michael P. Flanagan
State Superintendent of Public Instruction
Michigan Department of Education
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Dear Mr. Flanagan:

Enclosed is our final audit report, Control Number ED-OIG/A05F0018, titled *The School District of the City of Detroit's Administration of Parental Involvement Funds Under the No Child Left Behind Act of 2001*. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on this audit:

Henry Johnson
Assistant Secretary
U.S. Department of Education
Office of Elementary and Secondary Education
400 Maryland Avenue, SW
Washington, D.C. 20202

It is the policy of the U. S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

Richard J. Dowd
Regional Inspector General for Audit

Enclosure

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EXECUTIVE SUMMARY

The objectives of our audit were to determine whether the School District of the City of Detroit (Detroit) (1) consulted with parents in determining how to use Title I parental involvement funds during the 2004-2005 school year and (2) properly accounted for and used Title I parental involvement funds during the 2003-2004 and 2004-2005 school years.

Detroit consulted with parents in determining how to use parental involvement funds during the 2004-2005 school year. However, Detroit's parental involvement policy did not include all the required elements. In addition, Detroit did not properly account for or use Title I parental involvement funds during the 2003-2004 and 2004-2005 school years. Detroit (1) used Title I parental involvement funds for costs that were unallowable or inadequately documented; (2) did not ensure that contractors performed in accordance with the terms, conditions, and specifications of their contracts; (3) did not correctly report budgeted and expended funds to the Michigan Department of Education (MDE); and (4) misclassified expenditures.

We recommend that the Assistant Secretary for Elementary and Secondary Education require MDE to ensure that Detroit:

- Returns \$930,448 in unallowable costs to the U.S. Department of Education (Department).
- Develops and implements policies and procedures for personnel costs that provide reasonable assurance that (1) duplicate payroll and fringe benefits costs are not charged to the grant, (2) employees are paid only for hours worked and for hours supported by approved timesheets and time rosters, (3) only payroll costs related to work on parental involvement activities are charged to the grant, (4) only actual expenses for fringe benefits are charged to the grant, and (5) complete and accurate semi-annual certifications are maintained.
- Develops and implements policies and procedures that provide reasonable assurance that Title I parental involvement non-personnel expenditures are necessary, reasonable, allocable, and adequately documented.
- Develops and implements policies and procedures to provide reasonable assurance that (1) contractors performed in accordance with the terms, conditions, and specifications of their contracts, (2) it provides *Consolidated Application* amendments and *Grants Final Expenditure Reports* that permit MDE to review Detroit's level of Title I parental involvement expenditures for compliance with the restrictions and prohibitions of applicable statutes, and (3) expenditures, including transfers, to Title I parental involvement benefit the Title I parental involvement program.
- Revises its parental involvement policy to include all elements required under Section 1118(a)(2) of the Act and distributes the revised policy to parents.

In response to the draft of this audit report, MDE and Detroit did not dispute most of our findings and recommendations, but they did not concur with part of FINDING NO. 1. The comments are summarized at the end of each finding and the full text of the comments are included as Enclosure 3. Other than reclassifying inadequately documented costs as unallowable

in Recommendation 1.1, we did not make any changes to our findings and recommendations as a result of MDE's and Detroit's comments.

BACKGROUND

The Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (Act), significantly increased the choices available to the parents of students attending Title I schools that fail to meet state standards. Local educational agencies (LEA) and schools are required to provide parents of students attending Title I schools with information, in an understandable format, about their children's education, including teacher qualifications, the availability of public school choice and supplemental educational services, and parental involvement. Parental involvement provisions of the Act ensure that parents have the ability to make informed decisions regarding their children's education, are encouraged to be actively involved in their children's education and school, and play an integral role in increasing children's academic achievement.

According to Section 1118(a) of the Act, a LEA may receive parental involvement funds only if it plans and implements programs, activities, and procedures for the involvement of parents with meaningful consultation with parents of participating children. LEAs are required to develop with, agree on with, and distribute to, parents of participating children a written parental involvement policy. The policy must include a description of how the district will (1) involve parents in developing a LEA plan under Section 1112 of the Act and the process of school review and improvement under Section 1116 of the Act; (2) provide assistance to schools in planning and implementing parental involvement activities; (3) build the schools' and parents' capacity for strong parental involvement; (4) coordinate and integrate Title I, Part A parental involvement strategies with other parental involvement strategies; (5) conduct, with the involvement of parents, an annual evaluation of the effectiveness of the parental involvement policy; and (6) involve parents in the activities of the schools. In addition, each LEA must reserve a minimum of 1 percent of its Title I allocation for parental involvement, distribute at least 95 percent of the minimum required parental involvement funds reserved to schools, and involve parents in deciding how to allot the parental involvement funds.

The *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (34 C.F.R. Part 80)¹ sets forth the fiscal and administrative requirements that government grantees or subgrantees must follow. Pursuant to 34 C.F.R. § 80.20(a) (*Standards for financial management systems*), a State as well as its subgrantees must establish fiscal control and accounting procedures sufficient to, among other requirements, "permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." According to 34 C.F.R. § 80.22 (*Allowable Costs*), State and local governments must follow Office of Management and Budget (OMB) Circular A-87.² OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal*

¹ All regulatory citations are as of July 1, 2003.

² The Office of Management and Budget revised OMB Circular A-87, effective June 9, 2004. This version rescinded and superseded OMB Circular A-87, as amended, issued May 4, 1995. All citations to OMB Circular A-87 are applicable to both versions.

Governments (Circular A-87) establishes principles for determining the allowable costs incurred by state and local governments under grants, cost reimbursement contracts, and other agreements with the federal government. To ensure compliance with procurement procedures, State and local governments must adhere to the requirements set forth in 34 C.F.R. § 80.36(a) (*Procurement*).

Detroit paid for a variety of programs and activities with Title I parental involvement funds. The programs and activities included hiring parental liaisons and liaison assistants, health awareness classes, parent enrichment seminars and training classes, district-wide parent meetings, a parent resolution hotline, and a door-to-door campaign that targeted traditionally difficult to reach parents. In addition, Detroit used Title I parental involvement funds to pay for several outside consultants and half the salary of Detroit's Chief of Community and Public Affairs.

Detroit enrolled 150,415 students and 141,148 students during the 2003-2004 and 2004-2005 school years, respectively. MDE allocated approximately \$127.8 million and \$130.2 million in Title I funds to Detroit for the 2003-2004 and 2004-2005 school years, respectively. For the 2003-2004 school year, Detroit budgeted \$4.4 million for Title I parental involvement, of which it expended \$2.8 million, including approximately \$1.3 million distributed to schools (1 percent of the total Title I allocation). For the 2004-2005 school year, Detroit budgeted \$4.7 million for Title I parental involvement, of which it expended \$4 million, including approximately \$1.3 million distributed to schools (1 percent of the total Title I allocation).

AUDIT RESULTS

Detroit consulted with parents in determining how to use parental involvement funds during the 2004-2005 school year. However, Detroit's parental involvement policy did not include all the required elements.

In addition, Detroit did not properly account for or use Title I parental involvement funds during the 2003-2004 and 2004-2005 school years. Specifically, Detroit (1) used Title I parental involvement funds for costs that were unallowable or inadequately documented; (2) did not ensure that contractors performed in accordance with the terms, conditions, and specifications of their contracts; (3) did not correctly report budgeted and actual expenditures to MDE; and (4) misclassified expenditures.

FINDING NO. 1 – Detroit Used Title I Parental Involvement Funds For Costs That Were Unallowable or Inadequately Documented

For the 2003-2004 and 2004-2005 school years, Detroit charged the Title I parental involvement program for personnel (payroll and fringe benefits) and non-personnel costs that were

unallowable (\$277,061) or inadequately documented (\$653,387).³ [See Figure 1]

Figure 1

	Unallowable			Inadequately Documented		
	Non-Personnel	Payroll	Fringe	Non-Personnel	Payroll	Fringe
2003-2004	\$65,179	\$7,066	\$11,667	\$304,614	\$68,819	N/A
2004-2005	\$171,714	\$20,729	\$706	\$273,811	\$6,143	N/A

For the 2003-2004 school year, we reviewed \$906,867 of \$2,531,978 Detroit charged the Title I parental involvement program for payroll and non-personnel costs. For the 2004-2005 school year, we reviewed \$957,636 of \$3,604,893 Detroit charged to the Title I parental involvement program for payroll and non-personnel expenditures.

Unallowable personnel costs included charges for (1) duplicate payroll and fringe benefits; (2) auto allowance costs that should have been paid from non-federal funds; (3) non-Title I and non-parental involvement activities (for example, student recruitment); (4) incorrectly calculated fringe benefits; and (5) one employee who stopped working for the district in April 2005 but was paid with parental involvement funds through the end of June 2005. Unallowable non-personnel costs included (1) an advance of funds for a consultant that should have reduced future invoiced amounts; (2) overcharges because of mathematical errors on invoices; (3) charges at an hourly rate greater than the rate specified in the applicable contract; (4) invoices paid more than once; (5) capital expenditures for general purpose equipment that MDE did not approve; (6) charges for entertainment; and (7) charges for promotional items, memorabilia, advertising, and public relations designed solely to promote Detroit to the general public.

We considered personnel costs to be inadequately documented because Detroit did not provide us with (1) all payroll time rosters supporting social workers' salaries charged to parental involvement, (2) all timesheets for hourly employees, and (3) mileage or other travel records to support auto allowance charges. We considered non-personnel expenditures as inadequately documented because Detroit did not provide enough documentation to support that the costs were necessary and reasonable, allowable, and allocable to Title I parental involvement, and the documentation provided for these costs did not demonstrate how the costs benefited Title I parental involvement.

OMB Circular A-87, *Attachment A, Paragraph C.1* provides that, to be allowable, costs must be, among other things, necessary and reasonable for proper and efficient performance and administration of Federal awards, allocable to Federal awards, and adequately documented.

Detroit charged unallowable and inadequately documented personnel and non-personnel costs to the parental involvement program because it did not have adequate policies and procedures to ensure that parental involvement costs were necessary, reasonable, allocable, and adequately

³ See Enclosure 1 and Enclosure 2 for details about total costs (1) Detroit charged to the Title I parental involvement program, (2) we reviewed, (3) we recommend for acceptance, (4) we determined to be unallowable, and (5) we determined to be inadequately documented.

documented. Detroit did not (1) require pre-approved purchase orders for Title I parental involvement expenditures; (2) ensure that invoices paid were accurate and adequately demonstrated that costs were necessary, reasonable, and allocable to Title I parental involvement; (3) provide us with semi-annual certifications that were complete and accurate; (4) ensure hourly employees signed timesheets and supervisors signed all payroll time rosters; (5) correctly calculate hourly employees' overtime pay; (6) ensure timesheets were free of math errors; and (7) reconcile hours included on timesheets and payroll time rosters with the hours for which Detroit paid employees. Also, Detroit charged fringe benefits for insurance for a budgeted amount rather than actual expenses.

Detroit could have used the \$277,061 in unallowable costs charged to the Title I parental involvement program for effective parental involvement activities. Also, Detroit cannot show how \$653,387 in inadequately documented costs benefited the Title I program or parents of participating children, and there are no assurances that these costs did not benefit an employee personally.

Recommendations

We recommend that the Assistant Secretary for Elementary and Secondary Education require MDE to ensure that Detroit —

- 1.1 Returns \$930,448 in unallowable⁴ costs to the Department.
- 1.2 Develops and implements policies and procedures for personnel costs that provide reasonable assurance that (a) duplicate payroll and fringe benefits costs are not charged to the grant, (b) employees are paid only for hours worked and for hours supported by approved timesheets and time rosters, (c) only payroll costs related to work on parental involvement activities are charged to the grant, (d) only actual expenses for fringe benefits are charged to the grant, and (e) complete and accurate semi-annual certifications are maintained.
- 1.3 Develops and implements policies and procedures that provide reasonable assurance that Title I parental involvement non-personnel expenditures are necessary, reasonable, allocable, and adequately documented.

Auditee Comments

Detroit and MDE did not dispute the majority of the finding and recommendations. Detroit agreed that many of the costs were unallowable and modified its procedures and made staffing changes to ensure future compliance. However, Detroit did not concur that (1) \$1,100 for advertising was unallowable, (2) \$1,000 for live musical entertainment was unallowable, or (3) \$11,667 of fringe benefits was unallowable. Detroit requested that the \$1,100 for advertising

⁴ In its response to the draft of this report, Detroit did not provide any documentation to support the costs identified as inadequately documented in Enclosures 1 and 2. Therefore, the inadequately documented costs are unallowable pursuant to OMB Circular A-87, *Attachment A, Paragraph C.1.*

be considered allowable because it was related to a function at which the Title I Office provided school choice and SES information, answered questions, and provided handouts. Detroit requested that the \$1,000 for live musical entertainment be considered allowable because it was part of a total parent volunteer recognition event. Regarding the fringe benefits charges for \$11,667 (included \$9,802 in fringe benefits charged for duplicate payroll and \$1,865 in fringe benefits costs for insurance that exceeded the actual expenditure), Detroit cited OMB Circular A-87, *Attachment B, Paragraph 8*, which provides that the costs of fringe benefits shall be allocated to Federal awards and other activities in a manner consistent with the pattern of benefits attributable to the individuals and groups of employees whose salaries and wages are chargeable to such Federal awards. Detroit stated that, under this rule, as long as it consistently applies a fringe benefits rate to all employees and all Federal programs, those costs are allowable. Detroit stated that its Office of Accounting will ensure that future charges for fringe benefits will be charged at an actual rate rather than at the projected budgeted rate.

Detroit further stated that it will revise and implement policies and procedures that provide reasonable assurance that (1) duplicate payroll and fringe benefits costs are not charged to grants, (2) employees are paid only for hours worked and for hours supported by approved timesheets and time rosters, (3) only payroll costs related to corresponding approvable activities are charged to grants, and (4) complete and accurate semi-annual certifications are maintained. Detroit indicated that no additional payroll time rosters, timesheets, or mileage records have been located after the departure of the former administrator.

Finally, Detroit stated that it drafted a parental involvement policy that includes statements that all Title I parental involvement expenditures must be necessary, reasonable, allocable, and adequately documented. Detroit also stated that (1) the current parental involvement activities administrator is working with the Office of Title I Compliance to ensure proposed expenditures comply with Federal and State mandates, are approved by MDE, and are necessary, reasonable, and allocable; (2) the Office of Title I Compliance will review all Title I requisitions; (3) procedures are in place to ensure no future advance of funds; and (4) the parental involvement activities administrator and Offices of Title I and Accounting will monitor Detroit staff's review of invoices.

OIG Response

We did not change our finding or recommendations. Detroit did not provide any documentation to support the inadequately documented costs identified in Enclosures 1 and 2. Therefore, the costs are unallowable pursuant to OMB Circular A-87, *Attachment A, Paragraph C.1*. Detroit did not concur with our conclusion that the \$1,100 for advertising (paid for travel mugs and calculators imprinted with the district logo) is unallowable, but it did not dispute our conclusion that this expenditure solely promoted the governmental unit. Detroit did not concur with our conclusion that the \$1,000 paid for live musical entertainment is unallowable, even though entertainment is explicitly unallowable per OMB Circular A-87, *Attachment B, Paragraph 14*. Detroit also did not demonstrate that either of these expenses were necessary and reasonable for the proper and efficient performance and administration of federal awards.

While Detroit did not concur that \$11,667 for fringe benefits charges was unallowable, Detroit

did not dispute our conclusion that \$9,802 of this \$11,667 was charged for duplicate payroll. The payroll costs should not have been charged to parental involvement funds twice. Therefore, the related fringe benefit costs are unallowable. Regarding the \$1,865 in fringe benefits costs for insurance, we do not agree with Detroit's interpretation of OMB Circular A-87. Because Detroit charged Title I a projected budgeted rate that exceeded the actual rate, Detroit did not comply with OMB Circular A-87, *Attachment A, Paragraph C.1*, which provides that, to be allowable, costs must be, among other things, necessary and reasonable for proper and efficient performance and administration of Federal awards, and allocable to Federal awards.

Detroit stated that it will develop or has already developed policies and procedures that provide reasonable assurance that personnel and non-personnel costs are allowable and adequately documented. However, Detroit did not provide us with any documentation to support the procedural changes it described.

FINDING NO. 2 – Detroit Did Not Ensure That Its Contractors Performed In Accordance With Contract Terms

Pursuant to 34 C.F.R. § 80.36(a), when procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. Contrary to the Michigan Department of Management and Budget policy procedures in 0510.08, regarding agency contract administrators, Detroit's contract administrator did not adequately certify that work was performed in conformance with the terms and conditions of the contract and review vendor invoices. As a result,

- Detroit entered into a contract with American Counselors, Consultants, and Distributors for the period February 1, 2004, through January 30, 2005, for a total sum not to exceed \$500,000. This contract, for which Detroit paid \$481,245, stated that all consultant employees shall be free from any felony convictions and that failure to certify past criminal convictions may result in termination of the contract. The company's President, who signed the contract, was convicted of a felony before the start of this contract.
- Detroit entered into a contract with a second contractor for the period April 1, 2004, through June 30, 2005. While this contractor was to be compensated hourly for a total sum not to exceed \$50,000, Detroit paid this contractor \$69,900 during this time period, which exceeded the contract limit by \$19,900.
- Detroit entered into a contract with a third contractor for the period November 1, 2003, through October 31, 2005. While this contractor was to be compensated hourly for a total sum not to exceed \$80,000, Detroit paid this contractor \$87,031 through June 30, 2005, which exceeded the contract limit by \$7,031.
- Detroit entered into a contract with a fourth contractor for the period October 25, 2004, through June 30, 2005. While this contractor was to be compensated hourly for a total sum not to exceed \$24,000, Detroit paid this contractor \$25,182, which exceeded the contract limit by \$1,182.

We also identified invoices submitted under the above contracts (1) for unallowable services and services that lacked adequate support, (2) that resulted in Detroit paying more or less than it

should have paid, (3) for the wrong hourly rate, or (4) that Detroit paid more than once. These amounts are included under the unallowable and inadequately documented amounts described in FINDING NO. 1.

Without an adequate contract administration system, Detroit did not use Title I parental involvement funds for their identified purpose, made duplicate and incorrect payments, and reduced the amount of Title I funds available for other parental involvement activities. In addition, Title I parental involvement funds were exposed to an increased risk for fraud and abuse.

Recommendation

We recommend that the Assistant Secretary for Elementary and Secondary Education require MDE to ensure that Detroit—

- 2.1 Develops and implements policies and procedures to provide reasonable assurance that (a) contractors perform in accordance with the terms, conditions, and specifications of their contracts and (b) it does not pay invoices submitted for unallowable services or invoices that lack adequate support, are inaccurate, are duplicative, or exceed contract limits.

Auditee Comments and OIG Response

We did not change our finding or recommendation. Detroit did not dispute our finding. Detroit stated that it will revise its policies and procedures to outline which Detroit units will be responsible for monitoring contractor performance. Detroit also stated that it has addressed the portion of the recommendation to develop policies and procedures to provide reasonable assurance that it does not pay invoices submitted for unallowable services or invoices that lack adequate support, are inaccurate, are duplicative, or exceed contract limits, by matching receipts to purchase orders to verify invoice validity. However, Detroit did not provide any documentation to support this revised procedure.

FINDING NO. 3 – Detroit Did Not Correctly Report Budgeted and Actual Expenditures to MDE

For the 2003-2004 Title I school year, Detroit did not provide an accurate, current, or complete disclosure of the financial results of Title I parental involvement activities sufficient to permit MDE to adequately monitor Detroit's Title I parental involvement expenditures. On the *2003-2004 Consolidated Application*, Detroit budgeted \$607,082 for parental involvement activities. Detroit subsequently increased the amount of Title I funds budgeted for Title I parental involvement activities to \$4,446,167 but did not amend the *2003-2004 Consolidated Application* to reflect this budget increase. On the *Grants Final Expenditure Report* Detroit submitted to MDE on November 24, 2004, Detroit reported total Title I parental involvement expenditures (both budgeted and actual) of \$607,082. However, according to Detroit's accounting system, budgeted and actual expenditures were \$4,446,167, and \$2,820,213, respectively.

According to 34 C.F.R. § 80.20(a) (*Standards for financial management systems*), a State as well as its subgrantees must establish fiscal control and accounting procedures sufficient to, among other requirements, permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Detroit had inadequate procedures to ensure that it submitted amendments to the *2003-2004 Consolidated Application* to MDE for budget changes. The Detroit official responsible for submitting amendments to MDE was not instructed to submit one for the increase in Title I funds budgeted for parental involvement. In addition, the electronic *Grants Final Expenditure Report* Detroit submitted to MDE did not permit expenditures to exceed budgeted amounts. Therefore, Detroit only reported parental involvement expenditures up to the amount originally budgeted in the *2003-2004 Consolidated Application*.

Recommendation

We recommend that the Assistant Secretary for Elementary and Secondary Education require MDE to ensure that Detroit—

- 3.1 Implements procedures that provide reasonable assurance that it provides *Consolidated Application* amendments and *Grants Final Expenditure Reports* that permit MDE to review Detroit's level of Title I parental involvement expenditures for compliance with the restrictions and prohibitions of applicable statutes.

Auditee Comments and OIG Response

Detroit did not dispute our finding. Detroit stated that its (1) Department of Federal, State, and Local Grant Development and Program Compliance will amend the *Consolidated Application* to ensure MDE has the opportunity to review and approve proposed expenditures and (2) Office of Accounting will ensure that *Grants Final Expenditure Reports* reflect actual expenditures. Detroit did not provide any documentation to support these procedures.

We have not changed our finding or recommendation. Detroit did not provide us with any documentation to support the procedures it described.

FINDING NO. 4 – Detroit Misclassified Expenditures

Detroit misclassified and used Title I parental involvement funds for social workers' salaries (\$731,164) and fringe benefits (\$392,255) for the 2003-2004 school year. Detroit originally charged these expenditures to non-Title I funds and then transferred them to a Title I parental involvement account. These expenditures benefited the Title I program and were, therefore, generally allowable as Title I expenditures.⁵ However, Detroit should not have used Title I

⁵ A portion of the social workers' salaries is unsupported. See FINDING NO. 1.

funds budgeted for parental involvement to pay for these costs because the social workers' activities did not provide any benefit to Detroit's Title I parental involvement program.

Pursuant to 20 U.S.C. § 7846(a)(5), Detroit must use fiscal control and fund accounting procedures as will ensure proper disbursement of, and accounting for, Federal funds. According to 34 C.F.R. § 80.20(a) (*Standards for financial management systems*), a State as well as its subgrantees must establish fiscal control and accounting procedures sufficient to, among other requirements, permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Detroit misclassified these expenditures because it did not have adequate procedures to ensure that expenditures transferred to Title I parental involvement benefited Detroit's Title I parental involvement program. By misclassifying these expenditures, Detroit did not use the \$1,123,419 for parental involvement activities as intended. Also, misclassifying these expenditures reduced MDE's and Detroit's ability to trace funds to a level of expenditures adequate to establish that such funds had not been used in violation of the restrictions and prohibitions of applicable statutes.

Recommendation

We recommend that the Assistant Secretary for Elementary and Secondary Education require MDE to ensure that Detroit—

- 4.1 Develops and implements procedures that provide reasonable assurance that expenditures, including transfers, to Title I parental involvement benefit the Title I parental involvement program.

Auditee Comments and OIG Response

In its response to our draft audit report, Detroit did not dispute our finding. Detroit stated that its Department of Federal, State, and Local Grant Development and Program Compliance will review all transfers to ensure they benefit Title I parental involvement. Detroit did not provide any documentation to support this procedure.

We have not changed our finding or recommendation. Detroit did not provide us with any documentation to support the procedure it described.

FINDING NO. 5 – Detroit’s Parental Involvement Policy Did Not Include All Required Elements

For the 2004-2005 school year, Detroit's parental involvement policy did not contain all of the elements required by Section 1118(a)(2) of the Act. Specifically, the policy did not contain required descriptions of how the district would

- Involve parents in the joint development of the LEA plan under Section 1112 of the Act and the process of school review and improvement under Section 1116 of the Act; and
- Conduct, with the involvement of parents, an annual evaluation of the content and effectiveness of the parental involvement policy in improving the academic quality of the schools served under Title I, Part A of the Act, and use the findings of such evaluation to design strategies for more effective parental involvement, and to revise, if necessary, parental involvement policies.

By not providing parents with a parental involvement policy describing how it would involve parents in the joint development of the LEA plan, the process of school review and improvement, and the evaluation of the parental involvement policy, Detroit increased the risk that parents were not aware of the extent to which they were entitled to be involved in their children's education and therefore did not participate in these processes. Without this parental involvement, Detroit may not be able to effectively evaluate the parental involvement policy or create more effective parental involvement strategies.

Detroit officials believed they included all required elements in the parental involvement policy using non-technical language that parents could easily understand.

Recommendations

We recommend that the Assistant Secretary for Elementary and Secondary Education require MDE to ensure that Detroit —

- 5.1 Revises its parental involvement policy to include all elements required under Section 1118(a)(2) of the Act. Once the Department awards a Parental Information and Resource Center (PIRC) project in Michigan, Detroit should consider seeking technical assistance from the PIRC.⁶
- 5.2 Distributes the revised policy to parents.

⁶ The PIRC program supports school-based and school-linked parental information and resource centers that, among other things, help implement effective parental involvement policies, programs, and activities that will improve children's academic achievement.

Auditee Comments and OIG Response

Detroit did not dispute our finding. Detroit stated that it is currently revising its parental involvement policy to include all required elements and will post the revised policy on its website and add it to the parent handbook, which it distributes to all Detroit parents. Detroit provided us with a draft copy of its revised parental involvement policy. We reviewed this draft parental involvement policy and determined that it includes a description of how the district will (1) involve parents in developing a LEA plan under Section 1112 of the Act and the process of school review and improvement under Section 1116 of the Act; (2) provide assistance to schools in planning and implementing parental involvement activities; (3) conduct, with the involvement of parents, an annual evaluation of the effectiveness of the parental involvement policy; and (4) involve parents in the activities of the schools.

Because the policy is in draft form, and Detroit has not approved the final document, we have not changed our finding or recommendations. We reviewed Detroit's draft parental involvement policy and determined that it does not describe *how* it will coordinate and integrate parental involvement strategies. The draft policy corrects the other deficiencies we described in the finding.

OTHER MATTERS

A financial audit conducted by Detroit's Office of Internal Audit disclosed that Redford High School used Title I funds for unallowable expenditures.⁷ The report, which covered the period July 1, 2003, through May 31, 2004, stated that Redford High School used \$5,758 in Title I funds to purchase five, 36-inch flat screen televisions, a purchase that was not necessary to operate a Title I, Part A program. In addition, Redford High School used \$63,000 in Title I funds to pay a vendor for conflict resolution/anger management classes that did not supplement Detroit's responsibilities (Detroit employed a conflict resolution specialist for classroom and anger management). Detroit disallowed the expenditures but did not require Redford High School to return these funds to the Title I program because (1) of confusion over whether the funds were actually disallowed and (2) Detroit did not have policies and procedures to require restitution from schools for unallowable costs.

Because these funds were not used to benefit participating children, we suggest that the Assistant Secretary for Elementary and Secondary Education require MDE to ensure that Detroit develops policies and procedures for handling unallowable costs it identifies while monitoring schools' use of Federal funds to ensure that it returns future disallowed funds. Further, we suggest that the Assistant Secretary for Elementary and Secondary Education require MDE to determine whether the funds in question should be returned to the Title I program.

⁷ This financial audit did not address whether the unallowable expenditures were paid with Title I parental involvement funds.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether Detroit (1) consulted with parents in determining how to use Title I parental involvement funds during the 2004-2005 school year (July 1, 2004, through June 30, 2005) and (2) properly accounted for and used Title I parental involvement funds during the 2003-2004 and 2004-2005 school years (July 1, 2003, through June 30, 2005).

To achieve our objectives, we interviewed Detroit officials and reviewed documents provided by Detroit to gain an understanding of Detroit's internal control over compliance with the parental involvement provisions of the Act, applicable regulations, and cost principles. The documents we reviewed included:

1. Detroit's organizational chart;
2. Detroit's *2003-2004 Consolidated Application*, 2004-2005 Consolidated Application, and *Grants Final Expenditure Report* for the 2003-2004 school year;
3. Accounting records pertaining to Title I parental involvement funds budgeted and expended;
4. Contracts with vendors, invoices, purchase orders, cancelled checks, supervisory time rosters, timesheets, employee earning statements, and employee semi-annual certifications;
5. Detroit's parental involvement policy and related documents; and
6. Prior audit reports, including the *Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2004*, *Federal Awards Supplemental Information, June 30, 2004*, and the *Financial Audit Report, Redford High School*, released December 7, 2004.

We reviewed Detroit's parental involvement policy to determine if it included descriptions of how the district would (1) involve parents in developing a LEA plan under Section 1112 of the Act and the process of school review and improvement under Section 1116 of the Act; (2) provide assistance to schools in planning and implementing parental involvement activities; (3) coordinate and integrate Title I, Part A parental involvement strategies with other parental involvement strategies; (4) conduct, with the involvement of parents, an annual evaluation of the effectiveness of the parental involvement policy; and (5) involve parents in the activities of the schools. Because the focus of this audit was to determine whether Detroit consulted with parents in determining how to use Title I parental involvement funds, we did not determine whether the policy described how the district would build the schools' and parents' capacity for strong parental involvement.

To determine whether Detroit's use of Title I parental involvement funds was in compliance with Section 1118 of the Act, applicable regulations, and cost principles, we selected samples of transactions shown in Detroit's accounting system as Title I parental involvement expenditures. Our review of non-personnel expenditures was limited to testing of Title I parental involvement funds expended for district-level activities.

For personnel and non-personnel transactions recorded for the 2003-2004 and 2004-2005 school years, we selected transactions randomly and/or judgmentally.⁸

- For the 2003-2004 school year, we reviewed 6 judgmentally selected personnel transactions, totaling \$72,972, from a universe of 11 transactions totaling \$889,196, plus additional personnel costs totaling \$60,125.⁹ We reviewed personnel costs totaling \$133,097.
- For the 2004-2005 school year, we reviewed 14 randomly and/or judgmentally selected personnel transactions, totaling \$133,522, from a universe of 101 transactions totaling \$1,023,259, plus an additional \$13,447 in personnel costs related to these transactions. We reviewed personnel costs totaling \$146,969. For the 2003-2004 and 2004-2005 school years, we also reviewed fringe benefits related to \$40,302 and \$38,282 in personnel expenditures, respectively.
- For the 2003-2004 school year, we reviewed 114 randomly and/or judgmentally selected non-personnel transactions, totaling \$773,770, from a universe of 478 transactions totaling \$1,642,782.
- For the 2004-2005 school year, we reviewed 151 randomly and/or judgmentally selected non-personnel transactions, totaling \$810,667, from a universe of 945 transactions totaling \$2,581,634.

We judgmentally selected larger dollar transactions and transactions that exhibited anomalies such as unexpected descriptions and document identification numbers that were not like any others. For non-personnel transactions, we selected all transactions greater than \$10,000 and no transactions under \$100. For transactions from \$100 through \$10,000, we selected transactions randomly and/or judgmentally. For the 2003-2004 and 2004-2005 school years, we judgmentally selected contractor transactions, adjusting journal entries, and transactions that exhibited anomalies such as consecutively numbered invoices from the same vendor, similar dollar amounts, and identical purchase order numbers and check numbers.

To achieve our audit objective of determining whether Detroit properly accounted for and used parental involvement funds, we relied, in part, on computer-processed data from Detroit's PeopleSoft Enterprise Resource Planning 8.4 application. This data contained our universe of personnel and non-personnel transactions for the 2003-2004 and 2004-2005 school years. All transactions we reviewed were generally supported by evidence such as invoices, purchase orders, cancelled checks, supervisory time rosters, timesheets, and employee earning statements. We did not identify any unexplained or missing key data, unexplained relationships among the data, data outside valid time frames, or unexplained negative amounts. Therefore, we concluded that the computer-processed data were sufficiently reliable for the purposes of this audit.

We performed our audit work at Detroit's administrative offices and our Chicago office from

⁸ Because there is no assurance that the transactions selected were representative of the entire universes, the results should not be projected over the unsampled transactions.

⁹ The universe of transactions included one adjusting journal entry for \$731,164 that was salary for social workers. For this transaction, we reviewed 12 judgmentally selected salary payments totaling \$25,604 (included in the \$72,972 sample transactions total). We also reviewed additional personnel costs, totaling \$60,125, that were related to the six personnel transactions selected.

July 2005 through February 2006. We discussed the results of our audit with MDE and Detroit officials on February 8, 2006. We performed our audit in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

**Enclosure 1:
Schedule of Costs Recommended for Acceptance, Unallowable Costs, and
Inadequately Documented Costs for the 2003-2004 School Year**

COST CATEGORY	TOTAL CHARGED TO PARENTAL INVOLVEMENT	TOTAL COSTS REVIEWED	COSTS RECOMMENDED FOR ACCEPTANCE	UNALLOWABLE COSTS	INADEQUATELY DOCUMENTED COSTS
Payroll	\$889,196 ¹⁰	\$133,097 (1)	\$57,213	\$7,066 (2)	\$68,819 (3)
Professional Activities, Consultants, Workshops	\$1,351,372	\$588,670	\$355,309	\$39,320 (4)	\$194,041 (5)
Local Travel	\$242	\$242	\$242	\$0	\$0
Advertising	\$216,825	\$143,718	\$30,144	\$3,000 (6)	\$110,573 (7)
Consumable Food	\$5,098	\$2,419	\$2,419	\$0	\$0
Office Equipment & Supplies	\$52,300	\$24,416	\$1,557	\$22,859 (8)	\$0
Telephone	\$16,204	\$13,564	\$13,564	\$0	\$0
Mail/Postage	\$740	\$740	\$740	\$0	\$0
Totals	\$2,531,978	\$906,866	\$461,188	\$72,245	\$373,433

- (1) We also reviewed fringe benefits charges related to one payroll transaction, totaling \$40,302, that was not included in the payroll totals.
- (2) For the pay period ended July 9, 2004, Detroit charged \$25,909 in duplicate payroll to Title I parental involvement funds. Detroit reversed only a portion (\$18,843) of this amount. OMB Circular A-87, *Attachment A, Paragraph C.1* provides that, to be allowable, costs must be, among other things, necessary and reasonable for proper and efficient performance and administration of Federal awards, and allocable to Federal awards. Therefore, the remaining \$7,066 that Detroit did not reverse was unallowable. In addition to these unallowable payroll costs for this pay period, Detroit charged unallowable fringe benefits totaling \$11,667 (not included in the above table). When Detroit charged the \$25,909 in duplicate payroll, fringe benefits costs for the Federal Insurance Contributions Act, insurance, and retirement, totaling \$9,802, automatically posted to Title I parental involvement funds. Detroit did not reverse any of these fringe benefits charges. Therefore, this \$9,802 was unallowable. Also, for insurance, Detroit charged \$1,865 more to the grant than it actually expended. In total, fringe benefits of \$11,667 were unallowable.

¹⁰ Some totals in Enclosure 1 and Enclosure 2 do not add to the exact dollar because of rounding differences. All amounts are rounded to the nearest dollar.

- (3) For one social worker, all three payroll time rosters we reviewed showed that she did not work and was not on paid leave during each of the three pay periods. For a second social worker, we did not receive support for a portion of her salary. OMB Circular A-87, *Attachment A, Paragraph C.1* provides that, to be allowable, costs must be, among other things, adequately documented. Because we do not have adequate documentation for the three pay periods reviewed, and Detroit did not provide payroll time rosters for any other pay periods, the first social worker's entire salary charged to parental involvement for the 2003-2004 school year (\$66,655) was inadequately documented. The second social worker's earnings statement showed two salary payments for the pay period ended October 3, 2003; we did not receive adequate documentation for the second salary payment of \$2,164.
- (4) Detroit paid (a) an invoice for \$27,500 that was an advance of funds for a consultant that should have been repaid through a 25 percent deduction of each subsequent invoice submitted under the contract; (b) invoices with mathematical errors that resulted in the program being overcharged by \$1,070; (c) an invoice that charged an hourly rate (\$30) that was greater than the hourly rate specified in the contract (\$20), resulting in the program being overcharged by \$2,000; (d) a duplicate invoice for \$6,900; and (e) \$1,850 for advertising and public relations that solely promoted the district, including design of a district logo. OMB Circular A-87, *Attachment A, Paragraph C.1* provides that, to be allowable, costs must be, among other things, necessary and reasonable for proper and efficient performance and administration of Federal awards, and allocable to Federal awards. In addition, OMB Circular A-87, *Attachment B, Paragraph 1.f(4)* provides that costs for advertising and public relations designed solely to promote the governmental unit are unallowable.
- (5) Contrary to OMB Circular A-87, *Attachment A, Paragraph C.1*, Detroit did not provide adequate documentation to show that these costs were necessary and reasonable for proper and efficient performance of Federal awards, and allocable to Federal awards. Detroit paid a contractor for the distribution of announcements, flyers, and pamphlets. Some of the contractor's invoices for these services did not include examples of the flyers distributed, and other invoices included flyers promoting a non-Title I event (\$112,763). In addition, documentation for goods and services provided by other contractors did not adequately demonstrate benefit to the Title I program. Invoices indicating that services benefited non-Title I activities (\$37,412), and one invoice was for services provided by a contractor when those same services were provided by district employees (\$2,000). Other inadequately documented costs included (a) purchases of tote bags and shirts (\$10,650); (b) payments for a membership fee for a professional organization and for several events (\$25,516); (c) payments for local meals, hotel, and travel expenses (\$4,701); and (d) payment for an invoice dated before services were provided with no documentation to demonstrate the vendor provided these services (\$1,000).
- (6) Costs of advertising and public relations that solely promoted the district, including design of a district logo. OMB Circular A-87, *Attachment B, Paragraph 1.f(4)* provides that

advertising and public relations designed solely to promote the governmental unit are unallowable.

- (7) Contrary to OMB Circular A-87, *Attachment A, Paragraph C.1*, Detroit did not provide adequate documentation to show that these costs were necessary and reasonable for proper and efficient performance of Federal awards, and allocable to Federal awards. These costs included (a) services with inadequate documentation to demonstrate benefit to the Title I program, including invoices indicating that services may have benefited non-Title I activities (\$19,750); (b) purchases of imprinted folders, tape measures, calculators, and travel mates (\$25,658); and (c) advertising (\$65,166).
- (8) Capital expenditures for general purpose equipment that MDE did not approve. This equipment included bookcases, tables, an audio visual cabinet, a love seat, a lounge chair, computers, and personal data assistants. OMB Circular A-87, *Attachment B, Paragraph 15.b(1)* provides that capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency. Detroit did not budget any general purpose equipment in its *2003-2004 Consolidated Application*.

Enclosure 2:
Schedule of Costs Recommended for Acceptance, Unallowable Costs, and Inadequately Documented Costs for the 2004-2005 School Year

COST CATEGORY	TOTAL CHARGED TO PARENTAL INVOLVEMENT	TOTAL COSTS REVIEWED	COSTS RECOMMENDED FOR ACCEPTANCE	UNALLOWABLE COSTS	INADEQUATELY DOCUMENTED COSTS
Payroll	\$1,023,259	\$146,969 (1)	\$120,097	\$20,729 (2)	\$6,143 (3)
Professional Activities, Consultants, Workshops	\$2,318,311	\$674,987	\$252,348	\$161,392 (4)	\$261,248 (5)
Local Travel	\$3,095	\$785	\$785	\$0	\$0
Local Postage	\$1,036	\$1,036	\$1,036	\$0	\$0
Advertising	\$71,279	\$18,136	\$6,604	\$1,100 (6)	\$10,432 (7)
Rental Land & Building	\$35,179	\$34,668	\$34,668	\$0	\$0
Consumable Food	\$108,120	\$64,750	\$58,300	\$4,318 (6)	\$2,131 (8)
Office Supplies & Equipment	\$44,593	\$16,305	\$11,401	\$4,904 (9)	\$0
Printing & Binding	\$20	\$0	\$0	\$0	\$0
Totals	\$3,604,893	\$957,636	\$485,239	\$192,443	\$279,954

- (1) We also reviewed fringe benefits related to three payroll transactions totaling \$38,282, which are not included in the payroll totals.
- (2) Includes auto allowance charges (\$2,631), parent liaison salary (\$10,819), and overtime (\$7,279). OMB Circular A-87, Attachment A, Paragraph C.1 provides that, to be allowable, costs must be, among other things, necessary and reasonable for proper and efficient performance and administration of Federal awards, and allocable to Federal awards. Detroit charged the entire auto allowance for its Chief of Community and Public Affairs to Title I parental involvement, though she spent only 50 percent of her time working on parental involvement activities. Because no more than half of the auto allowance should have been charged to Title I parental involvement, half (\$2,631) of the auto allowance was unallowable. Three months (April 2005 through June 2005) of one parent liaison's salary (\$10,819) was unallowable because she stopped working for the district in April 2005, but was paid with Title I parental involvement funds through the end of June 2005. Three parent liaisons employed at the time stated that she left the district in April 2005. Overtime charged to parental involvement for the pay period ending October 1, 2004 (\$7,279), was unallowable because the services provided did not benefit the Title I program, including parental involvement. The service, calling all students not returning to the district, was a general

enrollment activity that should not have been charged to Title I. In addition to these unallowable payroll costs, Detroit charged unallowable fringe benefits costs for insurance to the grant (\$706 more than it actually expended; this amount is not included in the above table).

- (3) Contrary to OMB Circular A-87, *Attachment A, Paragraph C.1*, Detroit did not provide adequate documentation to show that auto allowance charges (\$2,631) and parent liaison and liaison assistant payroll (\$3,512) were necessary and reasonable for proper and efficient performance of Federal awards, and allocable to Federal awards. Detroit did not provide us with adequate documentation, such as mileage or use of personally owned vehicle records, for half (\$2,631) of the auto allowance charged to parental involvement. OMB Circular A-87, *Attachment B, Paragraph 43.a* states that travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two. For other payroll costs (\$3,512), we did not receive adequate documentation for transactions that included timesheets. Detroit did not provide us with timesheets supporting \$3,302 paid to hourly employees for the pay period ended October 1, 2004. Also, for three of our sample transactions, payroll time rosters reported more hours than the number of hours documented by timesheets. Therefore, an additional \$210 was inadequately documented.
- (4) Detroit paid (a) invoices with mathematical errors that resulted in the program being overcharged by \$4,820; (b) invoices that charged an hourly rate (\$30) greater than the rate specified in the contract (\$20), resulting in the program being overcharged by \$6,700; (c) duplicate invoices for \$11,373; (d) \$1,000 for live musical entertainment at a parent recognition event; (e) \$121,978 for capital expenditures for general purpose equipment that MDE did not approve, including desks, chairs, tables, cabinets, and digital copiers; and (f) \$15,520 for materials imprinted with the district logo. OMB Circular A-87, *Attachment A, Paragraph C.1* provides that, to be allowable, costs must be, among other things, necessary and reasonable for proper and efficient performance and administration of Federal awards, and allocable to Federal awards. Also, OMB Circular A-87, *Attachment B, Paragraph 14* provides that costs for entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs are unallowable. OMB Circular A-87, *Attachment B, Paragraph 15.b(1)* provides that capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency. Detroit did not budget any general purpose equipment in its *Consolidated Application*. In addition, OMB Circular A-87, *Attachment B, Paragraph 1.f* provides that costs for promotional items, memorabilia, advertising, and public relations designed solely to promote the governmental unit are unallowable.
- (5) Contrary to OMB Circular A-87, *Attachment A, Paragraph C.1*, Detroit did not provide adequate support to show that these costs were necessary and reasonable for proper and efficient performance of Federal awards, and allocable to Federal awards. Detroit paid a contractor for the distribution of announcements, flyers, and pamphlets. Some of the

contractor's invoices for these services did not include examples of the flyers distributed, and other invoices included flyers promoting a non-Title I event (\$209,032). Documentation supporting payments for goods and services provided by other contractors also did not adequately demonstrate benefit to the Title I program (\$13,644). Other inadequately documented costs included (a) purchases of shirts (\$11,700); (b) a payment for a membership fee for a professional organization and payments to its Chief of Community and Public Affairs for per diem allowance for other individuals that attended two Title I conferences (Detroit provided inadequate documentation to show that all individuals attended one of the conferences and provided inadequate documentation to demonstrate that all individuals received the per diem allowance) (\$16,387); (c) payments for local meals and parking expenses (\$2,610); and (d) payments for invoices dated before services were provided, with no documentation to demonstrate vendors provided these services (\$7,875).

- (6) Costs of promotional items, memorabilia, advertising, and public relations that solely promoted the district. These costs included (a) the cost of food for a back to school rally at a casino (Consumable Food, \$4,318) and (b) travel mugs and calculators imprinted with the district logo (Advertising, \$1,100). OMB Circular A-87, *Attachment B, Paragraph 1.f* provides that costs for promotional items, memorabilia, advertising, and public relations designed solely to promote the governmental unit are unallowable.
- (7) Contrary to OMB Circular A-87, *Attachment A, Paragraph C.1*, Detroit did not provide adequate documentation to show that these costs were necessary and reasonable for proper and efficient performance of Federal awards, and allocable to Federal awards. These costs included (a) purchases of imprinted pens and pencils, shirts, and travel soap pads (\$6,599); and (b) payments for advertising (\$3,833).
- (8) Contrary to OMB Circular A-87, *Attachment A, Paragraph C.1*, Detroit did not provide adequate documentation to show that these costs were necessary and reasonable for proper and efficient performance of Federal awards, and allocable to Federal awards. These cost included (a) \$969 for local meals and (b) \$1,163 for invoices dated before services were provided, with no documentation to demonstrate the vendor provided these services.
- (9) Capital expenditures for general purpose equipment that MDE did not approve. This equipment included laser printers, desktop computers, and a fax machine. OMB Circular A-87, *Attachment B, Paragraph 15.b(1)* provides that capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency. Detroit did not budget any general purpose equipment in its *2004-2005 Consolidated Application*.

Enclosure 3: MDE and Detroit Comments to Draft Report

MDE received these comments from Detroit and forwarded them to our office. Detroit also provided an attachment with a draft version of a revised parental involvement policy. This attachment will be made available upon request.

FINDING NO.	OIG RECOMMENDATION AND DETAIL	DISTRICT RESPONSE/ PLAN OF ACTION
1.1	Return \$277,061 to Department	
	<u><i>Unallowable Personnel Costs</i></u>	
	(1) Duplicate payroll and fringe benefits - (\$7,066) 2003-04 (See page 13, #2)	It was a one time occurrence in which there was an error in the year end payroll reversal and as such, the entry was done manually for all of the District's 18,000 employees. The error has been corrected and now payroll is posted automatically via our accounting software which will ensure duplicate payrolls and corresponding fringes will not be charged to Title I or any other federal or state funded grants.
	(2) Auto allowance costs should have been paid from non-federal funds. - (\$2,631) (2004-05) (See page 16, #2)	Procedures have been modified and now in place to ensure auto costs are appropriately charged to the proper funding sources.
	(3) Non-Title I and non parental involvement activities (for example, student recruitment - (\$1,100) 2004-05 (See page 18, #6)	At this function, the Title I Office provided SES and CHOICE information for all parents who attended, answered questions and provided handouts. The District requests that this expenditure is approved.
	(4) Incorrectly calculated fringe benefits -(\$11,667) 2003-04 (See page 13, #2)	OMB Circular A-87, Attachment B - Selected Items of Cost, Section 8 D - Fringe Benefits states,"The cost of fringe benefits in the form of employer contributions or expenses for social security; employer life, health, unemployment, and worker's compensation insurance, pension plan costs, and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or groups of employees whose salaries and wages are chargeable to such Federal awards." As such, if the District applies a rate to all of its employees for fringe benefits. If that rate is consistently applied across all Federal programs, then the costs are allowable.
	(5) One employee who stopped working for in April 2005 was paid with parental involvement funds through the end of June 2005 - (\$20,729) 2004-05 (See page 16, #2)	The former administrator who violated District policy is no longer employed by the District. Efforts are under way to recover the payments and the current administrator is working closely with the Human Resources Department to ensure policies are not violated.

	<i>Unallowable Non-personnel Costs</i>	
	(1) An advance of funds for a consultant that should have reduced future invoiced amounts -(\$39,320) 2003-04 (See page 14, #4)	Procedures have been modified and now in place to ensure no future advance of funds. Former administrator in charge of parental involvement activities under whom these activities took place is no longer employed by DPS and current administrator is working with Office of Title I Compliance to ensure the activities of the parent involvement unit is in compliance with all federal and state mandates. The District is considering recovering the unallowable amount from the former contracted employee.
	(2) Overcharges because of mathematical errors in invoice - (\$1,070) 2003-04 (See page 14, #4); (\$4,820) 2004-05 (See page 18, #4a)	DPS administrators are responsible for the proper receipt and monitoring of work performed by contactors in their areas. DPS staff will review invoices and contracts to ensure are invoices are void of mathematical errors contracts, are paid at specific rates as approved in applicable contracts and invoices are not paid more than once.. Monitoring will be done by the administrator in charge of the program as well as by the Offices of Title I and Accounting.
	(3) Charges at an hourly rate greater than the rate specified in the applicable contract - (\$2,000) 2003-04 (See page 14, #4); (\$6,700) 2004-05 (See page 17, #4b)	
	(4) Invoices paid more than once - (\$6,900) 2003-04 (See page 14, #4); (\$11,373) 2004-05 (See page 17, #4c)	
	(5) Capital expenditures for general purpose equipment that MDE did not approve - (\$22,859) 2003-04 (See page 15, #8); (\$4,904) 2004-05 (See page 18, #9)	Former administrator in charge of parental involvement activities under whom these activities took place is no longer employed by DPS and current administrator is working with Office of Title I Compliance to ensure proposed purchases by the parent involvement unit are in compliance with all federal and state mandates and approved by MDE.
	(6) Charges for entertainment - (\$1,000) 2004-05 (See page 17, #4d)	These expenditures were made as part of a total parent volunteer recognition event. The District requests this expense be considered allowable.
	(7) Charges for promotional items, memorabilia, advertising, and public relations designed solely to promote Detroit to the general public - (\$3,000) 2003-04 (See page 15, #6); (\$4,318) 2004-05 (See page 18, #6)	Former administrator in charge of parental involvement activities under whom these activities took place is no longer employed by DPS and current administrator is working with Office of Title I Compliance to ensure all expenditures are necessary, reasonable and allocable.
	ADDITIONAL COMMENTS	

<p>1.2</p>	<p>EITHER PROVIDE SUFFICIENT DOCUMENTATION TO SUPPORT \$653,387 IN ADEQUATELY DOCUMENTED COSTS OR RETURN THAT AMOUNT THE DEPARTMENT</p>	
	<p><u><i>Inadequately Documented Costs - Detroit did not:</i></u></p>	
	<p><u>Personnel</u></p>	
	<p>(1) Provide all payroll time rosters supporting social workers' salaries charged to parental involvement - (\$66,655) 2003-04 (See page 14, #3); (\$2,164) 2003-04 (See page 14, #3)</p>	<p>No additional payroll time rosters, timesheets or mileage records have been located after the departure of the former administrator. Current administrator assures all documentation for payrolls and mileage will be retained as required.</p>
	<p>(2) Provide all timesheets for hourly employees - (\$3,512) 2004-05 (See page 17, #3) / (\$210 inadequately documented)</p>	
	<p>(3) Provide mileage or other travel records to support auto allowance charges - (\$2,631) 2004-05 (See page 17, 3)</p>	
	<p><u>Unallowable Personnel & Non-Personnel</u></p>	
	<p>(1) Require pre-approved purchase orders for Title I parental involvement expenditures</p>	<p>Since the occurrence of the noted activity, the Office of Title I Compliance has taken on the responsibility of reviewing all Title I requisitions and checking to ensure that proposed expenditures are necessary, reasonable, and allocable.</p>
	<p>(2) Ensure that invoices paid were accurate and adequately demonstrated that costs were necessary, reasonable, and allocable to Title I parental involvement - (\$112,763) (\$37,412) (\$2,000) (\$10,650) (\$25,516) (\$4,701) (\$1,000) 2003-04 (See page 14, #5); (\$19,750) (\$25,658) (\$65,166) 2003-04 (See page 15, #7); (\$3,833) 2004-05 (See page 18, #7); (\$1,163) (\$969) 2004-05 (See page 18, #8)</p>	
	<p>(3) Provide us with semi-annual certifications that were complete</p>	<p>The Office of Title I Compliance collects semi-annual certifications for all employees working 100% in Title I programs. DPS executive administration supports the efforts and works with Title I Office to ensure employees respond to completing certifications as required.</p>

	(4) Ensure hourly employees' signed timesheets and supervisors signed all payroll time rosters	Current administrator in charge of parental involvement activities will ensure accurate time reporting via signed timesheets free of math errors, reconciliation of hours on timesheets and payroll time rosters and correct calculations of hourly employees' overtime pay. The Office of Accounting will ensure future charges for fringe benefits of employees will be charged at an actual rate rather than at the projected budgeted rate.
	(5) Correctly calculate hourly employees' overtime pay	
	(6) Ensure timesheets were free of math errors - (\$3,512) 2004-05 (See page 17, #3)	
	(7) Reconcile hours included on timesheets and payroll time rosters with the hours for which Detroit paid employees. Also Detroit charged fringe benefits for insurance for a budgeted amount rather than actual expenses.	
	ADDITIONAL COMMENTS	
1.3	DEVELOP AND IMPLEMENT POLICIES AND PROCEDURES FOR PERSONNEL COSTS THAT PROVIDE REASONABLE ASSURANCE THAT:	
	(a) duplicate payroll and fringe benefits costs are not charged to the grant	It was a one time occurrence in which there was an error in the year end payroll reversal and as such, the entry was done manually for all of the District's 18,000 employees. The error has been corrected and now payroll is posted automatically via our accounting software. This recommendation has been addressed.
	(b) employers are paid only for hours worked and for hours supported by approved timesheets and time rosters	The Office of Accounting will work with the Office of Parental involvement to provide further training on monitoring of and approval of time sheets prepared and submitted to payroll.
	(c) only payroll costs related to work on parental involvement activities are charged to the grant	
	(d) only actual expenses for fringe benefits are charged to the grant	The District disagrees with this finding. According to OMB Circular A-87, an entity is allowed to develop a method for charging fringe benefits and that method is consistently applied to all federal programs. This District does this by reviewing its total fringe benefit costs and developing a rate that is applied consistently to all federal programs.

	(e) complete and accurate semi-annual certifications are maintained.	The Office of Title I Compliance collects semi-annual certifications for all employees working 100% in Title I programs. DPS executive administration supports the efforts and works with Title I Office to ensure employees respond to completing certifications as required. Copies will be maintained in the Office of Title I Compliance and at the worksite of the employee
	ADDITIONAL COMMENTS	The District will revise and implement policies and procedures that provide reasonable assurances that (a) duplicate payroll and fringe benefits costs are not charged to grants (b) employers are paid only for hours worked and for hours supported by approved timesheets and time rosters (c) only payroll costs related to corresponding approvable activities are charged to grants (this would include parent involvement activities). (e) complete and accurate semi-annual certifications are maintained by the District.
1.4	DEVELOP AND IMPLEMENT POLICIES AND PROCEDURES THAT PROVIDE REASONABLE ASSURANCE THAT TITLE I PARENTAL INVOLVEMENT NON-PERSONNEL EXPENDITURES ARE NECESSARY, REASONABLE, ALLOCABLE, AND ADEQUATELY DOCUMENTED	The District's Parent Involvement Policy has been revised and now includes statements that all Title I Parent Involvement expenditures must be necessary, reasonable, allocable and adequately documented. Final draft is being prepared to present for approval by the Board of Education.
	ADDITIONAL COMMENTS	
2.1	DEVELOP AND IMPLEMENT POLICIES AND PROCEDURES TO PROVIDE REASONABLE ASSURANCE THAT:	
	(a) contractors perform in accordance with the terms, conditions, and specifications of their contracts	The District's Procurement Policy will be revised and procedures implemented to provide reasonable assurance that contractors perform in accordance with the terms, conditions, and specifications of their contracts outlining which of the District's units will be responsible for monitoring such performance.
	(b) it does not pay invoices submitted for unallowable services or invoices that lack adequate support, are inaccurate, and duplicative, or exceed contract limits.	For all invoices that are submitted to Accounts Payable for processing, there is a match between the receipt and the purchase order to ensure that the invoice is valid for payment. Any invoices that do not meet the match are returned to the department where the service or contract is being provided for the department administrator to investigate. This finding has been addressed.
	ADDITIONAL COMMENTS	

3.1	IMPLEMENT PROCEDURES THAT PROVIDE REASONABLE ASSURANCE THAT IT PROVIDES CONSOLIDATED APPLICATION AMENDMENTS AND GRANTS FINAL EXPENDITURE REPORTS THAT PERMIT MDE TO REVIEW DETROIT'S LEVEL OF TITLE I PARENTAL INVOLVEMENT EXPENDITURES FOR COMPLIANCE WITH THE RESTRICTIONS AND PROHIBITIONS OF APPLICABLE STATUTES ADDITIONAL COMMENTS	The District's Department of Federal, State and Local Grant Development and Program Compliance will amend the consolidated application to ensure MDE has the opportunity to review and approve proposed expenditures as required. the District's Office of Accounting will ensure grant final expenditures will reflect actual expenditures.
4.1	DEVELOP AND IMPLEMENT PROCEDURES THAT PROVIDE REASONABLE ASSURANCE THAT EXPENDITURES, INCLUDING TRANSFERS, TO TITLE I PARENTAL INVOLVEMENT BENEFIT THE TITLE I PARENTAL INVOLVEMENT PROGRAM ADDITIONAL COMMENTS	The District's Department of Federal, State and Local Grant Development and Program Compliance will review all transfers to ensure they benefit Title I Parental Involvement and are necessary, reasonable, allocable and adequately documented. This include transfers proposed by the parent involvement unit as well as the District's Offices of Accounting and Budget.
5.1	REVISE PARENTAL INVOLVEMENT POLICY TO INCLUDE ALL ELEMENTS REQUIRED UNDER SECTION 1118(A)(2) OF THE ACT ADDITIONAL COMMENTS	The District's Parental Involvement Policy is currently being revised to include all required elements to be presented and approved by the Board of Education.
5.2	DISTRIBUTE THE REVISED POLICY TO PARENTS ADDITIONAL COMMENTS	The revised policy will be posted on the District's website and added to the parent handbook that is distributed to each DPS parent at the beginning of the school year.