

DETROIT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

2007-45 Durant Fund Expenditures

Finding Type: Other Matters – Compliance with Laws and Regulations

Fiscal Year: July 1, 2006 to June 30, 2007

Requirement

Per Michigan Compiled Laws: MCL 388.1611f lists the limitations as to the use of Durant fund received. Durant funds may be used for textbooks, electronic instructional material, software, technology, infrastructure or infrastructure improvements, school buses, school security, training for technology, early intervening program described in section (8), or to pay debt service on voter improved bonds issued by the district or intermediate district before the effective date of this section.

Condition

During our testwork over the Durant expenditures, we selected a sample of 40 invoices totaling \$1,769,508. Within our sample, we noted that six (6) invoices totaling \$333,858 were paid with Durant Funds, which were not specifically allowable under Michigan Compiled Laws, MCL 388.1611f. Additionally, we noted that budget transfers were processed that transferred Durant Funds of \$1,500,000 to departments that would not typically expend funds in the approved categories for Durant Funds

Possible Asserted Cause and Effect

The internal controls were not properly designed to prevent the use of restricted funds for only their intended purposes.

Recommendation

We recommend that management improve the control procedures to result in a more consistent and thorough evaluation of procurements and expenditures. Management should develop, update, and implement policies and procedures to ensure that procurement of materials and services are properly evaluated to ensure that an appropriate funding source is available for use and that expenditures are correctly charged to the proper budget categories. The budget categories can be amended with board approval during the year if needed. All employees should be made aware of the contracting, procurement, and budget policies to ensure that they will be followed.

Views of Responsible Officials

We understand and agree with the noted observation and are working toward corrective actions.

Corrective Action Plan

Signature

Date