

LANSING SCHOOL DISTRICT
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2011

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**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
Lansing School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of and for the year ended June 30, 2011, which collectively comprise Lansing School District's basic financial statements and have issued our report thereon dated October 11, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lansing School District'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 Lansing School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lansing School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be material weakness in internal control over financial reporting, 2011-1

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiency in internal control over financial reporting, 2011-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lansing School District'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*.

We noted certain matters that we reported to management of Lansing School District in a separate letter dated October 11, 2011.

Lansing School District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit Lansing School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management and 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.

Manes Costeiran PC

October 11, 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**

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Lansing School District

Compliance

We have audited Lansing School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lansing School District's major federal programs for the year ended June 30, 2011. Lansing School District's major federal programs are identified in the summary of auditors' 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 Lansing School District's management. Our responsibility is to express an opinion on Lansing School District'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. 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 Lansing School District'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 of Lansing School District's compliance with those requirements.

In our opinion, Lansing School District 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-3 and 2011-4.

Internal Control Over Compliance

Management of Lansing School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lansing School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 Lansing School District's internal control over compliance.

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 a 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-3 and 2011-4 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lansing School District as of and for the year ended June 30, 2011, and have issued our report thereon dated October 11, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Lansing School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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.

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

This report is intended solely for the information and use of management, the Board of Education, others within the 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.

Manes Costeiran PC

October 11, 2011

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal grantor/pass-through grantor/program title</u>	<u>District ID Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Award Amount</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2010</u>	<u>Adjustments</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>
<u>U.S. Department of Agriculture:</u>										
Passed through Michigan Department of Education:										
Child Nutrition Cluster										
<u>Non-Cash Assistance (donated foods):</u>										
National School Lunch - Entitlement	N/A	10.555	----	\$ 248,084	\$ 253,307	\$ -	\$ -	\$ 248,084	\$ 248,084	\$ -
National School Lunch - Bonus	N/A	10.555	----	32,005	87,804	-	-	32,005	32,005	-
				<u>280,089</u>	<u>341,111</u>	<u>-</u>	<u>-</u>	<u>280,089</u>	<u>280,089</u>	<u>-</u>
Summer Food Service	N/A	10.559	----	171,260	61,579	-	-	171,260	171,260	-
Total non-cash assistance				<u>451,349</u>	<u>402,690</u>	<u>-</u>	<u>-</u>	<u>451,349</u>	<u>451,349</u>	<u>-</u>
<u>Cash Assistance:</u>										
National School Lunch - Section 4	N/A	10.555	101950	384,950	384,950	66,483	-	-	66,483	-
National School Lunch - Section 11	N/A	10.555	101960	2,992,838	2,992,838	523,330	-	-	523,330	-
National School Lunch - Snack	N/A	10.555	101980	43,427	43,427	3,578	-	-	3,578	-
National School Lunch - Section 4	N/A	10.555	111950	363,814	-	-	-	363,814	356,136	7,678
National School Lunch - Section 11	N/A	10.555	111960	3,340,745	-	-	-	3,340,745	2,750,175	590,570
				<u>7,125,774</u>	<u>3,421,215</u>	<u>593,391</u>	<u>-</u>	<u>3,704,559</u>	<u>3,699,702</u>	<u>598,248</u>
Summer Food Service	5992	10.559	111900	39,620	-	-	-	39,620	-	39,620
Summer Food Service	5991	10.559	101900	143,483	33,903	33,903	-	109,580	143,483	-
				<u>183,103</u>	<u>33,903</u>	<u>33,903</u>	<u>-</u>	<u>149,200</u>	<u>143,483</u>	<u>39,620</u>
National School Lunch - Breakfast	N/A	10.553	101970	1,762,265	1,762,265	288,580	-	-	288,580	-
National School Lunch - Breakfast	N/A	10.553	111970	1,762,262	-	-	-	1,931,614	1,604,571	327,043
				<u>3,524,527</u>	<u>1,762,265</u>	<u>288,580</u>	<u>-</u>	<u>1,931,614</u>	<u>1,893,151</u>	<u>327,043</u>
Total cash assistance				<u>10,833,404</u>	<u>5,217,383</u>	<u>915,874</u>	<u>-</u>	<u>5,785,373</u>	<u>5,736,336</u>	<u>964,911</u>
Total child nutrition cluster				<u>11,284,753</u>	<u>5,620,073</u>	<u>915,874</u>	<u>-</u>	<u>6,236,722</u>	<u>6,187,685</u>	<u>964,911</u>
Fruit and Vegetable Program - North	5790	10.582	100950/06662	31,671	31,671	2,187	-	-	2,187	-
Fruit and Vegetable Program - North	5791	10.582	110950/06662	19,700	-	-	-	19,045	17,412	1,633
				<u>51,371</u>	<u>31,671</u>	<u>2,187</u>	<u>-</u>	<u>19,045</u>	<u>19,599</u>	<u>1,633</u>
North School Gardens Grant	1230	10.574	0919-F1	2,500	1,704	1,704	-	795	2,163	336
Supper Program	5780	10.558	101920	21,476	25,291	3,815	-	-	3,815	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>11,360,100</u>	<u>5,678,739</u>	<u>923,580</u>	<u>-</u>	<u>6,256,562</u>	<u>6,213,262</u>	<u>966,880</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal grantor/pass-through grantor/program title</u>	<u>District ID Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Award Amount</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2010</u>	<u>Adjustments</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>
<u>U.S. Department of Education:</u>										
Direct programs:										
Impact Aid	1361	84.041	----	\$ 5,895	\$ -	\$ -	\$ -	\$ 5,894	\$ 5,894	\$ -
Indian Education	1300	84.060A	S060A090962	36,011	36,011	2,545	-	-	2,545	-
Indian Education	1301	84.060A	S060A090962	31,505	-	-	-	27,738	24,976	2,762
				<u>67,516</u>	<u>36,011</u>	<u>2,545</u>	<u>-</u>	<u>27,738</u>	<u>27,521</u>	<u>2,762</u>
Magnet Schools - SMART	1500	84.165A	U165A070064-09	2,408,436	2,243,179	356,899	-	165,258	522,157	-
Magnet Schools - SMART - Carryover	1501	84.165A	U165A070064-09	482,049	-	-	-	476,930	321,337	155,593
Magnet Schools - SMART - Carryover	1508	84.165A	U165A070064	1,481,297	53,874	2,864	-	-	2,864	-
Magnet Schools - SMART	1509	84.165A	U165A070064	2,370,156	461,535	3,457	-	-	3,457	-
				<u>6,741,938</u>	<u>2,758,588</u>	<u>363,220</u>	<u>-</u>	<u>642,188</u>	<u>849,815</u>	<u>155,593</u>
LINK - Local Intervention Network for Kids	1280	84.184A	Q184A070052	291,135	291,135	41,478	-	-	41,478	-
LINK - Local Intervention Network for Kids	1290	84.184A	Q184A070052	125,585	125,585	14,010	-	-	14,010	-
LINK - Local Intervention Network for Kids - Carryover	1291	84.184A	Q184A070052	157,450	-	-	-	141,750	141,750	-
				<u>574,170</u>	<u>416,720</u>	<u>55,488</u>	<u>-</u>	<u>141,750</u>	<u>197,238</u>	<u>-</u>
Teaching American History	1570	84.215X	U215X090579	326,621	221,496	31,036	-	86,057	116,966	127
Teaching American History	1571	84.215X	U215X090579	335,070	-	-	-	236,644	171,427	65,217
				<u>661,691</u>	<u>221,496</u>	<u>31,036</u>	<u>-</u>	<u>322,701</u>	<u>288,393</u>	<u>65,344</u>
Foreign Language Assistance Program	1520	84.293B		233,281	214,356	22,784	-	18,925	41,709	-
Foreign Language Assistance Program	1521	84.293B		299,402	-	-	-	191,905	169,071	22,834
				<u>532,683</u>	<u>214,356</u>	<u>22,784</u>	<u>-</u>	<u>210,830</u>	<u>210,780</u>	<u>22,834</u>
PAINTS	1590	84.351D	U351D060071-09	274,903	135,613	42,683	-	-	42,683	-
PAINTS	1591	84.351D	U351D060071-09	267,178	-	-	-	267,177	233,201	33,976
PAINTS	1598	84.351D	U351D060071-09	274,974	57,901	24,650	-	-	24,650	-
PAINTS	1599	84.351D	U351D060071-09	274,976	99,036	3,790	-	-	3,790	-
				<u>1,092,031</u>	<u>292,550</u>	<u>71,123</u>	<u>-</u>	<u>267,177</u>	<u>304,324</u>	<u>33,976</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal grantor/pass-through grantor/program title</u>	<u>District ID Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Award Amount</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2010</u>	<u>Adjustments</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>
<u>U.S. Department of Education:</u>										
Passed through Michigan Department of Education:										
Federal Adult Ed English	1080	84.002A	101120/105057	\$ 15,518	\$ 15,518	\$ 3,373	\$ -	\$ -	\$ 3,373	\$ -
Federal Adult Ed English	4060	84.002A	101130/101057	120,000	120,000	21,180	-	-	21,180	-
Federal Adult Ed English	4090	84.002A	101190/101057	70,000	70,000	14,795	-	-	14,795	-
Federal Adult Ed English	1081	84.002A	111120/115057	13,500	-	-	-	12,812	10,224	2,588
Federal Adult Ed English	4061	84.002A	111130/111057	72,000	-	-	-	71,402	56,931	14,471
Federal Adult Ed English	4091	84.002A	111190/111057	58,500	-	-	-	56,310	45,262	11,048
				<u>349,518</u>	<u>205,518</u>	<u>39,348</u>	<u>-</u>	<u>140,524</u>	<u>151,765</u>	<u>28,107</u>
ECIA Title I - School Improvement	1010	84.010	101550/0910	151,920	6,617	6,617	-	51,864	58,481	-
ECIA Title I - School Improvement	1011	84.010	111550/1011	75,000	-	-	-	21,895	19,617	2,278
ECIA Title I - Regular	1000	84.010	101530/0910	9,671,479	7,829,770	1,393,805	-	499,133	1,892,938	-
ECIA Title I - Regular	1001	84.010	111530/1011	10,708,642	-	-	-	6,926,994	6,379,972	547,022
				<u>20,607,041</u>	<u>7,836,387</u>	<u>1,400,422</u>	<u>-</u>	<u>7,499,886</u>	<u>8,351,008</u>	<u>549,300</u>
ARRA Title I, Part A	1330	84.389	101535/0910	3,378,121	1,476,477	422,564	-	531,041	953,605	-
ARRA Title I, Part A	1331	84.389	11535/1011	2,333,977	-	-	-	2,333,977	888,306	1,445,671
ARRA Title I, School Improvement	1311	84.389A	101555/0910	179,221	-	-	-	26,585	1,374	25,211
ARRA Title I, Part D	1030	84.389	101705/0910	163,245	44,036	14,003	-	2,648	16,651	-
ARRA Title I, Part D	1031	84.389	111705/1011	119,957	-	-	-	111,913	34,258	77,655
				<u>6,174,521</u>	<u>1,520,513</u>	<u>436,567</u>	<u>-</u>	<u>3,006,164</u>	<u>1,894,194</u>	<u>1,548,537</u>
Total Title I Cluster				<u>26,781,562</u>	<u>9,356,900</u>	<u>1,836,989</u>	<u>-</u>	<u>10,506,050</u>	<u>10,245,202</u>	<u>2,097,837</u>
ECIA Title I - N & D	1020	84.013	101700/0910	313,398	112,620	24,675	-	20,060	44,735	-
ECIA Title I - N & D	1021	84.013	091700/0809	348,963	-	-	-	49,863	83,605	(33,742)
				<u>662,361</u>	<u>112,620</u>	<u>24,675</u>	<u>-</u>	<u>69,923</u>	<u>128,340</u>	<u>(33,742)</u>
Drug Free Schools	4000	84.186	102860/0910	132,513	95,161	12,523	-	17,914	30,437	-
Drug Free Schools	4001	84.186	112860/1011	19,438	-	-	-	17,696	14,039	3,657
				<u>151,951</u>	<u>95,161</u>	<u>12,523</u>	<u>-</u>	<u>35,610</u>	<u>44,476</u>	<u>3,657</u>
CSHP Grant	1551	84.186A	-----	1,328	-	-	-	1,326	1,303	23
24/7 Tobacco Free Schools	4011	84.186A	112861/1101B	5,000	-	-	-	2,752	262	2,490
				<u>6,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,078</u>	<u>1,565</u>	<u>2,513</u>
Education for Homeless Children and Youth	4400	84.196A	102320/0910	17,031	14,292	1,636	-	2,739	4,375	-
Education for Homeless Children and Youth	4401	84.196A	112320/1011	45,291	-	-	-	30,605	25,832	4,773
Education for Homeless Children and Youth - Carryover	4411	84.196A	102320/1011	27,040	-	-	-	27,040	15,703	11,337
				<u>89,362</u>	<u>14,292</u>	<u>1,636</u>	<u>-</u>	<u>60,384</u>	<u>45,910</u>	<u>16,110</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal grantor/pass-through grantor/program title</u>	<u>District ID Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Award Amount</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2010</u>	<u>Adjustments</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>
<u>U.S. Department of Education:</u>										
Passed through Michigan Department of Education (continued):										
ARRA Homeless Child & Youth Grant	4420	84.387A	102325/0910	\$ 40,203	\$ 10,478	\$ 948	\$ -	\$ 29,249	\$ 29,146	\$ 1,051
Total Education for Homeless Children & Youth Cluster				<u>129,565</u>	<u>24,770</u>	<u>2,584</u>	<u>-</u>	<u>89,633</u>	<u>75,056</u>	<u>17,161</u>
21st Century	1370	84.287C	102110/D07043	600,000	490,115	82,410	-	-	82,410	-
21st Century	1371	84.287C	112110/D07043	600,000	-	-	-	536,523	441,565	94,958
				<u>1,200,000</u>	<u>490,115</u>	<u>82,410</u>	<u>-</u>	<u>536,523</u>	<u>523,975</u>	<u>94,958</u>
Title IID Technology	1260	84.318	104290/0910	36,034	36,034	26,951	-	-	26,951	-
Title IID Technology (ARRA)	1271	84.386A	114295/1011	179,819	-	-	-	169,055	139,220	29,835
Total Title IID Technology Cluster				<u>215,853</u>	<u>36,034</u>	<u>26,951</u>	<u>-</u>	<u>169,055</u>	<u>166,171</u>	<u>29,835</u>
Reading First	4369	84.357A	092930/0809	886,963	145,830	68,239	-	225,251	293,490	-
Title III Limited English	1120	84.365A	100580/0910	179,196	53,308	7,667	-	-	7,667	-
Title III Limited English	1121	84.365A	110580/1011	362,451	-	-	-	182,252	105,703	76,549
Title III Limited English	1160	84.365A	100570/0910	111,264	20,891	16,615	-	-	16,615	-
Title III Limited English	1161	84.365A	110570/1011	274,992	-	-	-	86,950	66,923	20,027
				<u>927,903</u>	<u>74,199</u>	<u>24,282</u>	<u>-</u>	<u>269,202</u>	<u>196,908</u>	<u>96,576</u>
Title II Part A	1090	84.367	100520/0910	2,443,062	1,222,585	177,451	-	60,791	238,242	-
Title II Part A	1091	84.367	110520/1011	3,601,754	-	-	-	1,322,040	1,114,688	207,352
				<u>6,044,816</u>	<u>1,222,585</u>	<u>177,451</u>	<u>-</u>	<u>1,382,831</u>	<u>1,352,930</u>	<u>207,352</u>
ARRA Education Stabilization Fund	1320	84.394	102525/0910	4,102,636	4,102,636	990,813	-	-	990,813	-
ARRA Education Stabilization Fund	1321	84.394	112525/1011	1,637,219	-	-	-	1,637,219	1,637,219	-
				<u>5,739,855</u>	<u>4,102,636</u>	<u>990,813</u>	<u>-</u>	<u>1,637,219</u>	<u>2,628,032</u>	<u>-</u>
Education Jobs Fund	1341	84.410A	112545/1011	2,691,175	-	-	-	2,691,175	1,686,511	1,004,664
Total passed through Michigan Department of Education				<u>45,787,850</u>	<u>15,866,368</u>	<u>3,286,265</u>	<u>-</u>	<u>17,757,074</u>	<u>17,494,421</u>	<u>3,548,918</u>
<u>Special Education Cluster</u>										
Passed through Ingham Intermediate School District:										
IDEA Flowthrough A	2200	84.027	100455/0910	10,508,957	10,508,957	2,170,947	-	-	2,170,947	-
IDEA Flowthrough A	2201	84.027	110450/1011	10,493,659	-	-	-	10,321,869	8,032,193	2,289,676
				<u>21,002,616</u>	<u>10,508,957</u>	<u>2,170,947</u>	<u>-</u>	<u>10,321,869</u>	<u>10,203,140</u>	<u>2,289,676</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal grantor/pass-through grantor/program title</u>	<u>District ID Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Award Amount</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2010</u>	<u>Adjustments</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>
<u>U.S. Department of Education:</u>										
Passed through Ingham Intermediate School District (continued):										
<u>Special Education Cluster (Concluded)</u>										
IDEA Pre-school Development A	2100	84.173A	100460/0910	\$ 164,795	\$ 130,804	\$ 33,991	\$ -	\$ -	\$ 33,991	\$ -
IDEA Pre-school Development A	2101	84.173A	110460/1011	161,848	-	-	-	161,848	122,946	38,902
IDEA Pre-school Development A	2111	84.173A	100460/0910	20,650	-	-	-	20,650	16,575	4,075
				<u>347,293</u>	<u>130,804</u>	<u>33,991</u>	<u>-</u>	<u>182,498</u>	<u>173,512</u>	<u>42,977</u>
ARRA IDEA Flowthrough	2220	84.391	100455/0910	1,486,695	973,199	186,514	-	-	186,514	-
ARRA IDEA Flowthrough	2221	84.391	100455/0910	1,696,725	-	-	-	1,379,995	955,180	424,815
				<u>3,183,420</u>	<u>973,199</u>	<u>186,514</u>	<u>-</u>	<u>1,379,995</u>	<u>1,141,694</u>	<u>424,815</u>
ARRA IDEA Preschool	2120	84.392	100465/0910	86,667	49,351	4,967	-	-	4,967	-
ARRA IDEA Preschool	2121	84.392	100465/0910	121,728	-	-	-	67,621	33,819	33,802
				<u>208,395</u>	<u>49,351</u>	<u>4,967</u>	<u>-</u>	<u>67,621</u>	<u>38,786</u>	<u>33,802</u>
Total Special Education Cluster				<u>24,741,724</u>	<u>11,662,311</u>	<u>2,396,419</u>	<u>-</u>	<u>11,951,983</u>	<u>11,557,132</u>	<u>2,791,270</u>
Passed through Central Michigan University										
CMU Science	6500	84.367B	090290-2991	22,000	6,228	2,951	-	-	2,951	-
CMU Excel	6510	84.367B	100290-9848	14,000	1,589	1,589	-	7,294	7,743	1,140
				<u>36,000</u>	<u>7,817</u>	<u>4,540</u>	<u>-</u>	<u>7,294</u>	<u>10,694</u>	<u>1,140</u>
Passed through Ferris State University:										
Freedom to Learn	4206	84.318X	064280-5A	14,312	-	(2,967)	-	-	-	(2,967)
Freedom to Learn	4217	84.318X		15,000	-	(1,515)	-	-	-	(1,515)
Freedom to Learn	4226	84.318X		8,647	-	(3,647)	-	-	-	(3,647)
Freedom to Learn	4227	84.318X		1,250	-	(1,250)	-	-	-	(1,250)
				<u>39,209</u>	<u>-</u>	<u>(9,379)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,379)</u>
Passed through Macomb ISD:										
MIBLSI - Gier Park	1560	84.027A		3,700	2,867	(833)	-	833	-	-
MIBLSI - Gier Park	1561	84.027A		1,000	-	-	-	978	1,000	(22)
				<u>4,700</u>	<u>2,867</u>	<u>(833)</u>	<u>-</u>	<u>1,811</u>	<u>1,000</u>	<u>(22)</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal grantor/pass-through grantor/program title</u>	<u>District ID Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Award Amount</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2010</u>	<u>Adjustments</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>
<u>U.S. Department of Education:</u>										
Passed through Clinton County RESA:										
Voc Ed Special Needs	4070	84.048A	--	\$ 321,232	\$ 166,570	\$ 42,356			\$ 42,356	\$ -
Voc Ed Special Needs	4071	84.048A	--	249,936				201,978	136,313	65,665
				<u>571,168</u>	<u>166,570</u>	<u>42,356</u>	<u>-</u>	<u>201,978</u>	<u>178,669</u>	<u>65,665</u>
Passed through Lansing Community College										
Technical Preparation	4080	84.243A	--	3,628	3,628	2,493	-	-	2,493	-
Passed through Western Michigan University										
WMU Aspiring Leaders	6521	84.363A	--	15,000	-	-	-	920	-	920
Passed through Michigan State University										
MSU Middle School	4190	93.837	R01HL09007505	45,017	43,122	18,630	-	-	18,630	-
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>80,920,220</u>	<u>31,692,404</u>	<u>6,286,687</u>	<u>-</u>	<u>31,539,338</u>	<u>31,147,004</u>	<u>6,679,021</u>
<u>U.S. Department of Community and Mental Health:</u>										
Passed through Eaton ISD										
SPLASH	4050	10.561		\$ 50,567	\$ 29,303	\$ 5,451	\$ -	\$ (56)	\$ 5,395	\$ -
SPLASH	4051	10.561		45,234	-	-	-	27,385	4,745	22,640
				<u>95,801</u>	<u>29,303</u>	<u>5,451</u>	<u>-</u>	<u>27,329</u>	<u>10,140</u>	<u>22,640</u>
<u>U.S. Department of Labor:</u>										
<u>WIA Program Cluster</u>										
Passed through Capital Area Michigan Works:										
WIA Youth	1420	17.259	----	577,430	574,505	103,045	-	-	103,045	-
WIA Youth	1421	17.259	----	526,162	-	-	-	526,162	451,618	74,544
				<u>1,103,592</u>	<u>574,505</u>	<u>103,045</u>	<u>-</u>	<u>526,162</u>	<u>554,663</u>	<u>74,544</u>
<u>U.S. Department of Health & Human Services</u>										
Passed through Ingham ISD										
Medicaid Outreach Reimbursement		93.778		19,970	275,758	19,970	-	66,260	86,230	-
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 93,499,683</u>	<u>\$ 38,250,709</u>	<u>\$ 7,338,733</u>	<u>\$ -</u>	<u>\$ 38,415,651</u>	<u>\$ 38,011,299</u>	<u>\$ 7,743,085</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Lansing School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. Title I Cluster, CFDA #84.010 and #84.389, Title II, CFDA #84.367, Title II, Part D Cluster, CFDA #84.318 and #84.386, Education Jobs Fund, CFDA #84.410 and ARRA Stabilization, CFDA #84.394 were audited major programs, representing 42% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$1,152,470.
4. Management has utilized the Grant Section Auditors Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 32,159,825
Special revenue fund	<u>6,255,826</u>
	<u><u>\$ 38,415,651</u></u>

6. Program clusters contained within the schedule are as follows:
Child Nutrition Cluster consists of CFDA #10.553, #10.555 and #10.559
Title I Cluster consists of CFDA #84.010 and #84.389
Special Education Cluster consists of CFDA #84.027, #84.173A, #84.391 and #84.392
Education for homeless children and Youth Cluster consists of CFDA #84.196A and #84.387A

**LANSING SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

➤ Material weakness(es) identified: X Yes No

➤ Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified: X Yes No

➤ Significant deficiency(ies) identified? Yes X No

Type of auditors' report issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010 and 84.389	Title I Cluster
84.367	Title II
84.318 and 84.386	Title II, Part D Cluster
84.410	Education Jobs Fund
84.394	ARRA Stabilization

Dollar threshold used to distinguish between type A and type B programs: \$ 1,177,174

Auditee qualified as low-risk auditee? X Yes No

**LANSING SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

Section II – Findings – Financial Statement Audit

Finding 2011-1

Finding considered a material weakness

Criteria: There is a significant budget to actual variance at current year-end.

Condition: When final revenues and expenditures were compared to the budget during the audit process, there was a significant variance of approximately \$7,000,000.

Context: Failure to budget properly could result in the Board of Education and management not receiving accurate balances of expected revenues and expenditures. The District is aware of this issue and understands the implications of having significant budget to actual variances.

Effect: Financial decisions could be made based on inaccurate budget information.

Cause: Several reasons were the cause of the larger than expected budget variances. Unusually large unfilled positions, one time federal education jobs fund revenue and other reductions in expenditures greater than expected. Historically, this has not been an issue at the District.

Recommendation: We recommend that the budget process be improved to ensure that all factors affecting the financial status of the District are considered during the budgeting process. We also recommend reviewing year-to-date actual revenues and expenditures and amending the budget based on this information. It is our understanding that all these factors have been considered in the past prior to making final amendments, but due to time constraints, this process was unable to be followed in the current year.

**LANSING SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

Finding 2011-2

Finding considered a significant deficiency

Criteria: Pupil counts in the Single Record Student Database (SRSD) should be reconciled to the detail pupil rosters to ensure accuracy.

Condition: During the year, Ingham Intermediate School District's pupil membership auditors found significant errors in the reporting of pupil counts while performing their pupil audit.

Context: Failure to properly report student counts to the State of Michigan through the SRSD system could result in the District not receiving the appropriate amount of state aid. The District did correct this issue by year-end and did receive the correct amount of state aid. The independent pupil membership auditor noted some improvements, however numerous errors were still detected.

Effect: Inaccurate amount of state aid could be received by the District.

Cause: Lack of reconciliation process between SRSD and detail pupil rosters and other review of the final pupil membership counts.

Recommendation: Paper membership rosters should be reconciled to the SRSD system in a timely manner prior to submission to the State. In addition, improved oversight should be implemented to ensure this process is completed. Consideration should be given to have the business office review reporting in this area.

Section III – Findings – Federal Awards Audit

Finding 2011-3

Considered a material weakness

Federal Program: All federal programs requiring personnel activity reports

Specific Requirement: Federal timekeeping requirements OMB circular A-87

Criteria: Lansing School District is required to follow specific timekeeping requirements related to employee payroll charged to federal programs. OMB Circular A-87 11h4 states; where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in the distribution of salaries and wages to awards must be supported by personnel activity reports (PAR). Reports reflecting the distribution of activity of each employee must be maintained for all staff members whose compensation is charged in whole or in part, directly to awards. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that certain conditions are met.

**LANSING SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

Finding 2011-3 (Concluded)

Condition: We selected 40 individuals for PAR documentation. The results were while PAR reports were prepared they were not prepared for every time period. It was noted during our audit the district only required personal activity reports once a month and not for every pay period required by federal regulations. This was the first year the Michigan Department of Education did not allow lesson plans and other supporting documentation to fulfill this requirement.

Context: The District's compliance staff was aware of the new Personal Activity Report requirements and in fact redesigned the form. Subsequent to our initial review district personnel were able to supply supporting documentation to support the previously undocumented time periods.

Questioned Costs: \$0 – In accordance with the guidance provided by the Kansas City office of Inspector General, the District was able to substantiate federally funded activity with other supporting documentation and therefore able to avoid any questioned costs related to this finding.

Effect: Costs charged to the grants related to split-funded individuals were not documented in accordance with OMB Circular A-87. Because of the violation, the funding sources of the grants could request repayment of some of the grant funds charged for payroll-related charges not adequately documented.

Cause: The District's compliance staff misinterpreted the new requirements. During implementation the District required one pay period to be completed every month and not every pay period.

Recommendation: We recommend Lansing School District establish improved controls for reviewing the federal compliance supplements related to the grants, and verify that adequate timekeeping requirements are monitored and complied with. Personnel Activity Reports should be used weekly to document the actual time spent on each activity by individuals allocating time to more than one activity. These time reports should account for the total number of hours worked by the individual and should be used to allocate the actual costs to the individual activities. These reports should be reviewed and reconciled on a monthly basis. The District should also continue utilizing semi-annual certifications for employees fully charged to a federal program. It is our understanding District personnel are aware of the regulations and have changed procedures to comply with federal regulations in the area of time reporting.

**LANSING SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

Finding 2011-4

Considered a material weakness

Federal Program: Title I Cluster (CFDA #'s 84.010 and 84.389)

Specific Requirement: Federal timekeeping requirements OMB circular A-87

Criteria: Lansing School District is required to follow specific timekeeping requirements related to employee payroll charged to federal programs. OMB Circular A-87 11h4 states; at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect the changed circumstances.

Condition: We selected 40 individuals for PAR documentation. The results were while PAR reports were prepared they were not consistently compared to the budgeted allocations.

Context: The lack of comparison to the budgeted allocations led to some distribution percentages being allocated to a federal program when they should not have been.

Questioned Costs: \$73,874 - we extrapolated the differences noted during testing of Title I.

Effect: Costs charged to the grants related to split-funded individuals were compared to the personnel activity reports in accordance with OMB Circular A-87. Because of the violation, the funding sources of the grants could request repayment of some of the grant funds charged for payroll-related charges.

Cause: The District's compliance staff did not consistently review the distribution percentages being allocated to the federal programs.

Recommendation: The District's compliance staff should compare PAR documentation to how the employee is being allocated to the grant and notify the accounting staff of any necessary changes, at least quarterly.

**LANSING SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2011**

Section II – Findings – Financial Statement Audit

Finding 2010-1

Finding considered a significant deficiency

Criteria: Pupil counts in the Single Record Student Database (SRSD) should be reconciled to the detail pupil rosters to ensure accuracy.

Condition: During the year, Ingham Intermediate School District's pupil membership auditors found significant errors in the reporting of pupil counts while performing their pupil audit.

Context: Failure to properly report student counts to the State of Michigan through the SRSD system could result in the District not receiving the appropriate amount of state aid. The District did correct this issue by year-end and did receive the correct amount of state aid.

Effect: Inaccurate amount of state aid could be received by the District.

Cause: Lack of reconciliation process between SRSD and detail pupil rosters.

Recommendation: Paper membership rosters should be reconciled to the SRSD system in a timely manner prior to submission to the State. In addition, improved oversight should be implemented to ensure this process is completed. Consideration should be given to have the business office review reporting in this area.

Response: The District is aware of the deficiency and is currently investigating various ways to improve the pupil accounting process.

Status: The lack of reconciliation process between SRSD and detail pupil rosters continues for the year ended June 30, 2011. See finding 2011-2.

**LANSING SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2011**

Section III – Findings – Federal Awards Audit

Finding 2010-2

Finding - Noncompliance

Criteria: The District must spend at least 10% of its Title I budget allocated to the school identified for improvement on professional development.

Condition: The District did not spend 10% of its Title I budget allocated to the school identified for improvement on professional development.

Context: The District is required to follow specific requirements for schools identified for improvement. However, due to the timing of the approval process (the State issued what may be considered final approval the first week in June 2010 with several line item budgets continuing to require modifications); it was not feasible for the building to expend 10% of the budget on professional development during the school year.

Effect: The District is not in compliance with Title I requirements.

Cause: The original budget allocation included a designation of 10% to professional development for the school identified for improvement. Due to MDE required modifications made to the budget throughout the year, the final budget included an allocation of only 6% to professional development, which was not spent in its entirety.

Recommendation: We recommend the District review procedures to ensure the proper budget allocations are maintained for the school identified for improvement.

Response: The District is aware of the deficiency and believes this to be an isolated incident. The District will continuously monitor to assure that the school will maintain the 10% spending for professional development required by Title I.

Status: The District properly allocated at least 10% of its Title I budget to the schools identified for improvement on professional development.



**LANSING SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2011**

U.S. Department of Education:

Lansing School District respectfully submits the following corrective action plan for the year ended June 30, 2011.

Name and address of independent public accounting firm:

Maner Costerisan
2425 East Grand River Avenue, Suite 1
Lansing, Michigan 48912

Audit Period: For the year ended June 30, 2011

The finding from the June 30, 2011 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding – Financial statement audit

Finding 2011-1: Considered a material weakness

Recommendation: We recommend that the budget process be improved to ensure that all factors affecting the financial status of the District are considered during the budgeting process. We also recommend reviewing year-to-date actual revenues and expenditures and amending the budget based on this information. It is our understanding that all these factors have been considered in the past prior to making final amendments, but due to time constraints, this process was unable to be followed in the current year.

Action to be taken: We are aware of the material weakness and have evaluated our budgeting processes. We will be taking a more in-depth review of the budget to actual variances while making budget amendments and will be assessing the expected expenditures and revenues on a much more detailed level to ensure that the budgets can be utilized as tools for financial planning and decision-making.

Finding 2011-2: Considered a significant deficiency

Recommendation: Pupil rosters should be reconciled to the SRSD system in a timely manner prior to submission to the State. In addition, improved oversight should be implemented to ensure this process is completed. Consideration should be given to have the business office review reporting in this area.

Action to be taken: We are aware of the deficiency and are currently investigating various ways to improve the pupil accounting process. This will be given much more scrutiny in the current year to ensure all paper counts are also getting reported in the electronic system. The business office will be overseeing reporting in this area for the year ended June 30, 2012.

Finding 2011-3: Considered a material weakness

Recommendation: We recommend Lansing School District establish improved controls and procedures for reviewing the federal compliance supplements related to the grants, and verify that adequate timekeeping requirements are monitored and complied with. Personnel Activity Reports should be used weekly to document the actual time spent on each activity by individuals allocating time to more than one activity. These time reports should account for the total number of hours worked by the individual and should be used to allocate the actual costs to the individual activities. These reports should be reviewed and reconciled on a monthly basis. The District should also continue utilizing semi-annual certifications for employees fully charged to a federal grant.

Action to be taken: The District will review the federal timekeeping requirements to ensure compliance. All of the District's staff whose salaries and fringe benefits are allocated among different grant activities will begin completing personnel activity report to document all activity. The district has changed procedures immediately upon the knowledge of this finding. All required employees now complete personal activity records for every time period. These PAR's are reviewed and approved on a timely basis.

Finding 2011-4: Considered a material weakness

Recommendation: The District's compliance staff should compare PAR documentation to how the employee is being allocated to the grant and notify the accounting staff of any necessary changes, at least quarterly.

Action to be taken: The District will review the federal timekeeping requirements to ensure compliance. The District has changed procedures immediately upon the knowledge of this finding. Any changes between the actual time spent and the amount recorded monthly is communicated to accounting to adjust the general ledger as needed on a quarterly basis. In addition all PAR's are filed in a secure area. These logs are summarized on a monthly basis to calculate the amounts to be charged to each grant.