

### President's View...Rob Burgess – Teach Your Children Well

Tagged: [Newsletter](#) • [Sep](#) • 2008

**By:** Rob Burgess, CPA, Chief Financial Officer, Lakeshore Public Schools and President of MSBO

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**By:** By Kathleen Weller, Director Office of Audits, MDE

1. Submit the audits via e-mail or paper on or before November 15, 2008.
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### MSBO Board of Directors Appoints Daniel Romzek

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Daniel Romzek, Director of Finance and Operations at Davison Community Schools, has been appointed to fill a vacant position on the [MSBO](#) Board of Directors. His term will end in April 2009. Robert Dwan, who was recently selected Associate Executive Director of [MSBO](#), resigned his board seat at the [MSBO](#)

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The reason this workshop draws 200-300 participants each year is because it contains timely, useful information from presenters who are MDE and State experts.

MIEM Events: Identity Theft Workshop Series and Marketing Your School - an online class

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As of January 2008, The Privacy Rights Clearinghouse has documented more than 217 million cases of compromised records from government agencies, schools, businesses and other organizations.

[1](#) [2](#) [3](#) [4](#) [5](#) [6](#) [7](#) [8](#) [9](#) ... [next](#) › [last](#) »

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**By:** Rob Burgess, CPA, Chief Financial Officer, Lakeshore Public Schools and President of MSBO

Well, here we are. It's Tuesday, September 2 and the first day of school. So far, I have not gotten any angry calls from parents about bus drivers who did not stop to pick up their child. There's been no massive traffic jam, usually the case the first day of school, in front of the middle school where nervous parents drop off 6th graders to that hormone saturated next level of education. And praise be to God, I did not see or hear any Neanderthal seniors taunting nervous freshmen as they enter the hallowed halls of grades 9-12 for the first time. The auditors have completed their fieldwork. The coffee is hot and inviting in my cup this morning. The world is good!

Having been a disc jockey and then for most of my undergraduate years a dual major in Business and English, I am always trying to find lyrics or poetry to say what I would like to say. On the first day of school, I am reminded of, and will probably really date myself, with an old Graham Nash song:

"You who are on the road  
must have a code that you can live by  
and so become yourself  
because the past is just a goodbye.  
Teach your children well..."

"Teach your children well" may be a 20th Century way of saying: "Let the little children come to me and do not hinder them." Reminders and good advice on the first day of school and for the next 180 or so days to follow - don't you think?

### Strategic Planning at MSBO

This July, the [MSBO](#) Board met in New Buffalo with a strategic planning facilitator to help us establish some goals and priorities for the organization. As an organization, [MSBO](#) is obviously in a transition mode. For the past several years, [MSBO](#) has been blessed to have the leadership of Tom White. Tom will be completing his tenure as Executive Director in December. But don't worry! Tom will be assisting with the planning for and details surrounding the annual conference in Detroit this coming spring.

Dave Martell takes over the reign of Executive Director in January. In our state, there are two kinds of people: Michigan State fans and those other guys. Dave is a Michigan State fan. For those of you who are "Blue" about this, someday I think you will see the "Green" light. In the meantime, next time you see Dave stop and say hello. Please introduce yourself, if you don't already know him. Having been a member of [MSBO](#) for more than 20 years and having seen the transition between Dr. Wally Piper and Tom White, I look forward to Dave taking the organization to the next level of excellence.

[MSBO](#) has an outstanding staff of employees to assist Dave. From my experience, they are committed to member's needs and assisting members face the challenges, some large, some small, of being professionals in the business of school transportation, maintenance, technology, food service, human resources, payroll, and financial management.

But neither Tom White, Dave Martell, the [MSBO](#) staff, nor the [MSBO](#) Board has all the answers. Nor can we do it alone or without your help and the help of [MSBO](#) members like you. We need your expertise, your knowledge, and your passion for the business of educating Michigan's children. So, here's my sale pitch...

Do you remember those old posters that you might see in the U.S. Post Office? I mean the recruiting posters that said, "Uncle Sam needs you?" Well, MSBO needs YOU. And I am asking for YOUR help. The MSBO Board discussed a couple primary and strategic goals when we met this July in our strategic planning retreat. We are still working on ironing out the exact verbiage, but here are some of our initial thoughts.

First, MSBO members will be equipped to contribute in strategic decision making.

MSBO will help by enhancing and increasing relevant professional development for MSBO members. MSBO can assist members obtain the skills and confidence to problem solve and to understand how to be difference makers in the day to day and long term politics of education. MSBO can help our members bring solutions to the table.

Secondly, MSBO will become the clearinghouse for ideas and innovative solutions in education.

MSBO will strive to increase research, expand our offering of turnkey solutions to problems and increase members' knowledge of current tools and resources available to them.

We actually discussed much more than that. We discussed "mega" issues like school funding, the ongoing poor economy in Michigan, how can we maintain the influence of MSBO as an organization, how can we assist MSBO members deal with declining (or growing) enrollments, how can we encourage members to stay active in their organization and to attend the conference in Detroit this year, etc.

What do you think? What is important to you as an MSBO member? How can MSBO best make the goals outlined above a reality?

As President of MSBO, I am asking for your help and feedback. The MSBO Board is your Board. We are here to serve you. From my more than 20 years of experience in MSBO, we have a diverse group of members with a broad knowledge and expertise base. In this year of transition at MSBO, we need you to share some of that knowledge and expertise. Get involved. Get in touch. Give a little bit!

## Executive Director's View...Tom White – Nitwits Guide to Learning

Tagged: [Newsletter](#) • [Sep](#) • 2008

**By:** Tom White, Executive Director, MSBO

How and where do people learn? Stop and think about it. The answer may not be as simple as it seems.

The obvious answer is that we learn in school. That's where our children learn a lot – we hope. However, I also hope that if you apply this question to yourself, that [MSBO](#) and our many conferences came to mind. Between [MSBO](#) and [MIEM](#) (rhymes with team), we conduct nearly 100 workshops and conferences a year on school business topics. We know a lot of learning goes on there.

But if you go deeper than the obvious, you'll realize how many opportunities there are for learning in every day life. For whatever reason, I started thinking about this one day and began to track the ways in which I learn. I start my day with the newspaper, I drive to work listening to news reports on National Public Radio, and I try to read a capitol reporter/newsletter every morning to find out what's up in Lansing. I may scan a magazine or newsletter from another organization as I settle in for the day.

Then, the phone calls start, and I learn what our members are thinking. I make additional calls and learn the answers to people's questions.

Also during the day I spend anywhere from a few minutes to an hour searching for information on the Internet. That's where I learn the most recent financial data about Michigan's economy and the status of School Aid revenues. Literally, you can find pretty much anything and everything on the Internet. It may sound crazy, but some times I just "Google" things that interest me, or that I need. For example, there are websites called, "How Stuff Works" and "How Things Work" where I can wander around for hours. Or, when I want something specific I Google, "How to install a floor" or whatever home job I'm working on at the time. There are jokes, cartoons, education related statistics and so much other content that you can't fathom it. Once you start playing with your search criteria, you can spend hours and find out about almost anything.

Of course, the MDE and state government both have very useful websites for finding out about school laws and regulations. If you haven't spent time learning what's available there, I highly recommend it. Want to know about schools of choice provisions? Go to the MDE website or just Google, "schools of choice and Michigan" and you'll find a link that takes you to several useful pages.

When I work out or take a walk I wear an iPod. I don't listen to music; I listen to books and podcasts. Have you seen what's available? While I couldn't read the book, "The World is Flat," I could listen to it - it took nearly 20 hours, most of it while I was driving to and from a meeting in the western end of the Upper Peninsula. It's a book that changed the way I viewed the world and I never would have read it thoroughly, but it was a great listen. I've listened to numerous other books, both fiction and non-fiction over the past few years. Listening to books in the car makes time go by so fast that I have actually regretted arriving at my destination because I was so engrossed in listening to a good book. I've probably listened to more than 100 books in the last three years.

But what I've really become obsessed with is podcasts. I love National Public Radio but rarely have the opportunity to listen to programs that air during the workday. Then I found I could download many of my favorites...for free. I also found free podcasts for the Harvard Business Review, and many free lectures from some of the top universities in the country at iTunes University. You can see and hear lectures and films from Stanford, Yale, the Wharton School, U of M, IBM and much more. Most of it for free. It is overwhelming but worth the time to explore if you are really interested in expanding your horizons and/or learning as a hobby!

What are the implications? First, if you believe in lifelong learning, think about the possibilities for you, your staff,

and your students. Pick a subject, pick a strategy and spend 30 minutes a week on it; surf the Internet, try out some free podcasts, or dive into listening to books. I can assure you that if I can figure this out, nearly anyone can. I am not a computer whiz, more like the person that all those “Nitwits Guides” are written for.

This also causes me to think about education in general. How many classes still have a teacher in a classroom talking to 25 students? While that may always be necessary and appropriate for K-8 students, will it always be right for high school and college students? Are we teaching our students good research skills for the modern age? Can some students learn some subjects without having an adult looking over their shoulder? Can technology be used to improve education and lower our costs?

These questions are yet to be answered. However, one thing is clear: learning happens in many ways, in many places. The opportunities are incredible for you as an individual and for our students. It takes people who are creative and willing to try new things, and perhaps fail a few times, to take full advantage of what is available. The next big information revolution is just beginning.

## An Important Message to MILAF Investors

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The unprecedented financial market crisis of the past several weeks has created turmoil that has swept the markets.

We have seen: The Federal government take on direct responsibility for Fannie Mae and Freddie Mac, the two housing giants that collectively under-pin the U.S. housing market;

Lehman Brothers file for bankruptcy after failing to find a buyer or to persuade the Federal government to intervene on its behalf;

Bank of America agree to acquire Merrill Lynch after the nation's largest brokerage firm was weakened by the crisis;

AIG, a worldwide insurance company arrange an \$85 billion bridge loan from the Federal Reserve and give up 80% of its ownership in return;

The Federal Reserve inject cash into the money markets in the largest amounts since September 11, 2001 to maintain stability.

The purpose of this note is to assure you that your fund remains strong and stable in the face of these events. It has no investments in AIG, Lehman or Merrill. The conservative investment management approach of our advisor, PFM Asset Management, having successfully navigated through the crisis of the past year by putting safety and liquidity first, remains in place.

If you have any questions about your investment in the fund, please call the toll free number directly at 1-877-GO-MILAF.

## A Look at Recent Auditing Standards

Tagged: [Newsletter](#) • [Sep](#) • 2008

**By:** By Stephen W. Blann, CPA, CGFM

The American Institute of Certified Public Accountants (AICPA) has recently enacted a series of sweeping changes to generally accepted auditing standards. Statements on Auditing Standards (SAS) No. 104-111, which are collectively known as the Audit Risk Suite, have substantially changed the audit process, especially as it relates to engagement planning and the assessment of risk. In releasing the new standards, the AICPA indicated that it believes the Audit Risk Suite represents a significant strengthening of auditing standards that will improve the quality and effectiveness of audits. The changes became effective for Michigan school districts with audits of the fiscal year ended June 30, 2008.

Just a year earlier, another significant new auditing standard—SAS No. 112, Communicating Internal Control Related Matters Identified in an Audit, which was issued after the Audit Risk Suite, but became effective earlier—increased the responsibility of auditors to report on identified deficiencies in internal controls to “those charged with governance” (i.e., the school board). Auditors are now required to closely evaluate the design of key internal controls, and perform tests specifically to determine whether those controls have been placed in operation. Together, these new standards make it considerably more likely that internal control related matters may be identified and reported during the audit process.

### What Districts Should Do About the New Standards

The most important step for districts to take is to reevaluate their existing internal controls with an eye toward “what could go wrong” and what controls are in place to prevent errors or fraud from occurring. If a district hasn’t yet thoroughly documented its internal controls, now is the time to do so. Since adjustments identified during an audit can now result in findings being reported, districts should review the adjustments from the prior year, and seek to limit the need for auditor-proposed adjustments in the current year. Districts that choose to outsource the preparation of their financial statements to their auditors should consider how to implement controls to carefully review and approve those statements. In all cases, early communication with the district’s auditors will be helpful.

As is the case with any new auditing standard, there will likely be some inconsistencies in practice in the first year or two, as auditors begin to implement the new guidance. However, over time, these new auditing standards should improve both the quality and usefulness of audits as control deficiencies are identified and management seeks cost effective ways to mitigate the risks of misstatement and enhance internal controls.

### A Closer Look at Internal Controls

The new standards have increased the responsibility of auditors from simply “gaining an understanding of an entity’s internal controls” for the purpose of planning an audit to “understanding the entity and its environment, including internal controls” as a primary audit procedure. At first, that might sound like a relatively minor difference in wording—but in practice, it amounts to a dramatic shift in the level of scrutiny auditors are now required to place on internal controls and the environment in which they operate.

Broadly speaking, internal control is a process designed to provide district management and the board of education governing board reasonable assurance regarding the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws and regulations. In an audit of financial statements, the auditor is not required to perform procedures specifically to identify deficiencies in internal control or to express an opinion on the effectiveness of the entity’s internal control. Still, an auditor may become aware of control deficiencies in the process of obtaining an understanding of the entity’s internal control, communicating with management or others, and performing audit procedures. When such matters are identified, auditors are

required to report these deficiencies to management and the board.

### **Audit Opinions vs. Audit Findings**

The objective of a financial statement audit is the expression of an opinion about whether the financial statements are free of material misstatements. Accordingly, the auditors' opinion is focused on the final version of the financial statements, as reported in the audit—not the process followed to prepare and/or adjust those financial statements. By contrast, SAS No. 112 focuses on reporting matters related to the internal controls followed in the process of accounting for and reporting on an organization's operations. Put another way, the audit opinion is an evaluation of the final product, while the matters reported in accordance with SAS No. 112 are an evaluation of the system of internal controls.

This distinction means that a school district could receive an unqualified (or "clean") opinion on the financial statements, and still disclose one or more significant deficiencies or material weaknesses in internal control.

### **Compensating Controls**

No system of internal control is perfect. An internal control system, no matter how well conceived and operated, can provide only reasonable—not absolute—assurance to management and the board regarding achievement of an entity's objectives. In establishing appropriate internal controls, management must give careful consideration to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the district's unique circumstances. Often when a particular control is not employed due to resource constraints, one or more other controls will take its place to lessen the risk of misstatement.

When evaluating control deficiencies, auditors are instructed to consider any compensating controls the district may have put in place. Compensating controls are used to limit the severity of a control deficiency and, in some cases, prevent it from rising to the level of a significant deficiency or material weakness. However, it is important to note that while compensating controls may mitigate the effects of a control deficiency, they do not eliminate the control deficiency.

In some cases, district management may already be aware of certain conditions determined by the auditor to be significant deficiencies or material weaknesses, and may have made the conscious decision to accept that degree of risk because of cost or other considerations. SAS No. 112 reminds auditors that the responsibility for weighing costs vs. benefits rests with management. However, the auditor's responsibility to communicate these matters to the school district and board of education during each audit is unchanged by management's decisions. Accordingly, certain control deficiencies (e.g., segregation of duties at a small entity) may be reported year after year.

Stephen Blann is a Principal of Government/Nonprofit Services with the Grand Rapids office of Rehmann Robson. He may be reached at [stephen.blann@rehmann.com](mailto:stephen.blann@rehmann.com).

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1. Submit audits via e-mail or paper on or before November 15, 2008.
2. MDE's address is 608 W. Allegan. If you send it to 430 W. Allegan, it will be delivered to the Department of Treasury but not MDE.
3. If you submit the audits electronically, please follow these [directions](#).
4. If you submit the audits electronically, please be careful not to add spaces in the name of the document. This is a common error.
5. Remember to include the federal Data Collection Form and the Management Letter with the audit submission.
6. Remember to include the Summary Schedule of Prior Audit Findings and Corrective Action Plan as required by OMB Circular A-133 Section 320(c)

We look forward to receiving your audit.

## MSBO Board of Directors Appoints Daniel Romzek

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Daniel Romzek, Director of Finance and Operations at Davison Community Schools, has been appointed to fill a vacant position on the [MSBO](#) Board of Directors. His term will end in April 2009. Robert Dwan, who was recently selected Associate Executive Director of [MSBO](#), resigned his board seat at the [MSBO](#) Board of Directors meeting earlier this month.

Dan has a strong background in school finance and accounting and has been an active member in [MSBO](#). He has received his [MSBO](#) Chief Financial Officer Certification and is Past-President of the Genesee Area School Business Officials.

Join us with welcoming Dan as the newest member of the [MSBO](#) Board of Directors.

## Mark Your Calendar! MDE/MSBO Workshop slated for October 21

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The reason this workshop draws 200-300 participants each year is because it contains timely, useful information from presenters who are MDE and State experts. This workshop gives you a chance to learn, get your questions answered, and meet the people you work with at the Michigan Department of Education (MDE).

New this year are special “clinic tables” that include presenters and MDE staff. This will allow you to make that personal connection and ask questions in a small group setting. We'll run these sessions in both the morning and the afternoon.

If you have new staff in your office, this is an especially good opportunity to help bring them up to speed and make valuable connections. For veterans, this is an opportunity to keep up to date and learn about changes that have been made or are coming in funding and regulatory matters. Someone from your district should be there!

### What's on the Agenda?

Michigan's Economy and Revenue Picture – Gary Olson, Director of the Senate Fiscal Agency, will bring you the latest information and statistics about revenues for the School Aid Fund and Michigan's budget. With the major changes made to our tax structure in 2007 that are being reflected in actual collections, it is more important than ever to stay on top of projections and keep your district leadership informed.

Review of Changes in State Aid – A brief review of all changes to the State School Aid Act per enrolled Senate Bill 1107 (P.A. 268 of 2008). This will include a discussion of the change in the calculation of the state's share of the foundation grant as well as upcoming changes to kindergarten program funding.

Preview and Preparation for the New Michigan Student Data System – Beginning in 2009 schools will be planning for implementation of the migration from the Single Record Student Database (SRSD) to the Michigan Student Data System (MSDS). Learn what will be happening and what will be expected of your district.

The New Michigan Business Tax and Taxable Value Issues and Answers – The new taxable value categories appearing in Taxable Value Database and how they are utilized in calculating State School Aid will be presented and tips for reconciling taxable value information to what you actually receive in tax revenue from the local treasurers.

Bidding Food Service Management Contracts – Learn how new bid requirement regulations from MDE and a top attorney affect the procurement of food service management.

Financial Information Database (FID) Update – Overview of the 2007-08 FID submission process and major edit checks that have been incorporated to help improve the financial data quality.

Legislative Update – What's going on in Lansing that will affect your district and your resources! You need the absolutely freshest information for planning.

Medicaid and Fee for Service – Where are we now? How are things changing and what to look out for will be presented at this session.

ISD Collaborative Efforts with MDE related to Grant Administration and Fiscal Management – Will learn about PD opportunities for you and your staff concerning procurement, grant timekeeping, allowable costs, and grant fiscal management.

Clinic Tables in the AM and PM will Feature MDE Staff and others who are knowledgeable about:

Pupil Accounting

Audits

School Finance

State Aid Payment Calculations

Public School Accounting Issues

Taxable Values and Indirect Costs

School Law

Food Service and Bidding Management Contracts

Special Education Transportation

Medicaid

CEPI

[Register online](#) or download the [registration form](#).

## MIEM Events: Identity Theft Workshop Series and Marketing Your School - an online class

Tagged: [Newsletter](#) • [Sep](#) • 2008

### Learn Safeguards to Prevent Identity Theft of Your School's Data

As of January 2008, The Privacy Rights Clearinghouse has documented more than 217 million cases of compromised records from government agencies, schools, businesses and other organizations. Is your school's data protected? Do you have safeguards in place that protect your student's and employee's personal information? Most people think of theft of financial data, yet schools house a lot of non-financial data that also needs to be protected. [MSBO](#) , [MASA](#) and [MASB](#) have teamed up with IDentity Theft LOSS Prevention, LLC to help schools examine identity theft compliance requirements, and to assist school districts in reducing the risk of fraud, theft, or loss during the collection, handling, storage, communication, transmission, and destruction of confidential and sensitive information in the workplace.

Learn more by watching the video: Identity Theft and Security Compliance—Issues for Michigan Schools.  
<http://www.idtlp.com/briefing/schools/>

#### Presenters:

Curt Konenkamp, CITRMS, IDentity Theft LOSS Prevention, LLC  
Frank Mitchell, CITRMS, IDentity Theft LOSS Prevention, LLC  
Tom Glanville, CITRMS, IDentity Theft LOSS Prevention, LLC

Registration fee: \$199 [MIEM](#) members      \$249 nonmembers

Registration fee includes breaks and materials.

Questions: E-mail [danielle@gomiem.org](mailto:danielle@gomiem.org)

Register online

View the [registration form](#)

Sign Up Now for a workshop near you! Workshops will be held from 8:00 am to Noon.

#### Workshop Sites (face-to-face)

Alpena-Montmorency-Alcona ESA • 10/9/08

MELG Building, Lansing • 10/13/08

Traverse Bay Area ISD • 10/15/08

Genesee ISD • 11/18/08

Kent ISD • 12/2/08

Wayne RESA • 12/3/08

#### Video Conference Sites – 10/16/08

Marquette-Alger RESA (host site)

Copper Country ISD

Delta-Schoolcraft ISD

Dickinson-Iron ISD

Eastern U.P. ISD

Gogebic-Ontonagon ISD

Menominee ISD

### **Marketing Your School - online class**

**October 1-27, 2008**

Location: At Your Desk

In this course, participants will learn the importance of being an ambassador for your school district on or off the job; the importance of keeping the community up-to-date with the school district's goals and challenges; techniques and factors that are considered by public relations specialists when marketing a school to their community; the various forms of communication that can be used to deliver information to the school community; and the appropriate and practical ways to use the different avenues of communication.

Expectations of the class: Online courses run for four weeks. You are required to report in at least once a week to complete assignments. You are also required to complete a final project before receiving credit for the class.

This class is required for [MIEM](#) 's School Administrative Professional Certification. ([SAPC](#))

Cost: \$75 [MIEM](#) member districts; \$90 nonmember districts

[Register online](#)

View the [registration form](#)