



Michigan School Business Officials

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Superintendents and School Board Members:

Attached you will find a communication MSBO has sent to school business officials regarding a policy change in the way the Michigan Department of Education (MDE) is enforcing the Uniform Budgeting and Accounting Act (Public Act 2 of 1968). In essence, the Uniform Budgeting and Accounting Act requires that schools operate within the limits of a school board approved budget. MDE has decided to retroactively change their enforcement back to the audited financial statements for the 2004-05 fiscal year. No one likes retroactive changes, especially business officials, who are constantly complying with state and federal rules and would certainly rather have had the chance to address the Department's concerns on a prospective basis.

The Department has indicated that they will start sending letters soon and these letters will be addressed to the school board president, superintendent and chief business official. It appears that about 11% of school districts will receive violation letters. We expect that all districts who receive a violation letter will be able to satisfactorily comply with MDE's requirements.

Your district can stay in compliance by amending your budget at key points during the year as actual revenues and expenditures vary from the originally budgeted amounts, which are based on numerous assumptions. However, there may be some situations in which the actual information is not known until immediately before or sometime after the fiscal year end, which can cause your district to be out of compliance with the Act. MDE will be using a 1% reasonableness threshold and will only send violation letters to schools that exceed that amount.

It is important to note that for those districts that **do** receive a letter from MDE alleging a violation, the district will have an opportunity to mitigate the violation by providing their budget monitoring procedures to the Department. We expect that as long as appropriate procedures are in place, they will be deemed reasonable and acceptable to the Department, therefore satisfying the Act's requirements and laying the issue to rest. If a district receives a violation letter and **does not** comply appropriately with the MDE request, then MDE will refer those instances to the Attorney General for further consideration.

While we do not agree with the way the Department is changing its enforcement of the act and noting that we believe most districts and boards are already doing an admirable job meeting their fiduciary responsibilities under difficult financial circumstances, we do acknowledge their goal - "encouraging better business practices at the local level as well as an increased awareness on the part of local Boards of Education of the importance of budget management" - could help some districts improve their budgeting and monitoring processes.

If you have any questions or concerns, please let me know.

Sincerely,

A handwritten signature in black ink that reads "David Martell". The signature is written in a cursive, flowing style.

David Martell

Associate Executive Director