



FREQUENTLY FOUND AUDIT ISSUES

MSBO ANNUAL CONFERENCE

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PRESENTED
BY:

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AUDIT SUBMISSION

Audits are required by the State School Aid Act to be submitted to MDE by **November 1**, each year.

Late audits will result in a withhold of the November State Aid payment until the next payment after the audit is submitted.

There is NO grace period.

It is the district's responsibility to make sure that the audit is submitted. If the CPA firm generally submits the audit for the district, the district should confirm that the audit was submitted.

When the audit is received by MDE, it is checked in within 24 hours.

HOW TO READ A PAL REPORT

- Entitlement includes:
 - Processed
 - Brown Box
 - DOD
 - Produce Pilot
- Entitlement does not include:
 - Bonus Commodities

PAL REPORT

USDA Food Distribution Recipient Entitlement Balance Report School Year 2014-2015

Print Date: 02/23/2016
Distributor: GLC-BR

FINAL

Sponsor Agreement Number:

2

	Processed	Brown Box	(Proc + BB) Total	DoD	Produce Pilot - Winter	Total	Balance	(Bonus)	
July	0.00	0.00	0.00	0.00	0.00	0.00	51,725.77	0.00	0.00
August	2,206.13	0.00	2,206.13	0.00	0.00	2,206.13	49,519.64	0.00	0.00
September	5,634.86	0.00	5,634.86	2,155.74	0.00	7,790.60	41,729.04	0.00	0.00
QTD (1)	7,840.99	0.00	7,840.99	2,155.74	0.00	9,996.73		0.00	0.00
October	5,636.63	0.00	5,636.63	2,324.03	0.00	7,960.66	33,768.38	0.00	0.00
November	4,284.21	0.00	4,284.21	1,724.57	0.00	6,008.78	27,759.60	0.00	0.00
December	3,813.22	0.00	3,813.22	1,736.37	0.00	5,549.59	22,210.01	0.00	0.00
QTD (2)	13,734.06	0.00	13,734.06	5,784.97	0.00	19,519.03		0.00	0.00
January	4,100.61	0.00	4,100.61	2,242.71	0.00	6,343.32	15,866.69	0.00	0.00
February	3,669.59	0.00	3,669.59	240.84	0.00	3,910.43	11,956.26	0.00	0.00
March	4,957.08	0.00	4,957.08	0.00	0.00	4,957.08	6,999.18	0.00	0.00
QTD (3)	12,727.28	0.00	12,727.28	2,483.55	0.00	15,210.83		0.00	0.00
April	4,508.27	0.00	4,508.27	0.00	1,316.89	5,825.16	1,174.02	0.00	0.00
May	1,906.89	0.00	1,906.89	0.00	1,389.36	3,296.25	-2,122.23	0.00	0.00
June	0.00	0.00	0.00	0.00	188.64	188.64	-2,310.87	0.00	0.00
QTD (4)	6,415.16	0.00	6,415.16	0.00	2,894.89	9,310.05		0.00	0.00
Total Distribution	40,717.49	0.00	40,717.49	10,424.26	2,894.89	54,036.64	-2,310.87	0.00	0.00

Entitlement Dollars: \$51,725.77 (208,993 Meals @ 0.2475 Meal Rate)

	Single Bank	Brown Box	DoD	Produce Pilot - Winter	Total
Entitlement	37,301.51	0.00	10,424.26	4,000.00	51,725.77
Distributions	40,717.49	0.00	10,424.26	2,894.89	54,036.64
Balance	-3,415.98	0.00	0.00	1,105.11	-2,310.87
% Usage	109.16%	0.00%	100.00%	72.37%	104.47%
Carryover/Giveaway	0.00	0.00	0.00	0.00	0.00
Reallocated Balances	4,655.32	0.00	0.00	0.00	4,655.32
Adjusted Balance	1,239.34	0.00	0.00	1,105.11	2,344.45

http://hpsusdafoods.org/reports/PAL.php?member_id=1144&year_id=4

2/23/2016

HOW TO READ A PAL REPORT

AUDITOR RESPONSIBILITY

Verify final statement

Accurately reported on SEFA

- Notes, CFDA, Award = Expenditures/Revenue, no Inventory at year end

Check single audit thresholds

- Considered federal expenditures/revenue
- Part of Nutrition Cluster
 - A Program \$1 million
 - Single Audit \$ 1 million

National School Lunch Program -

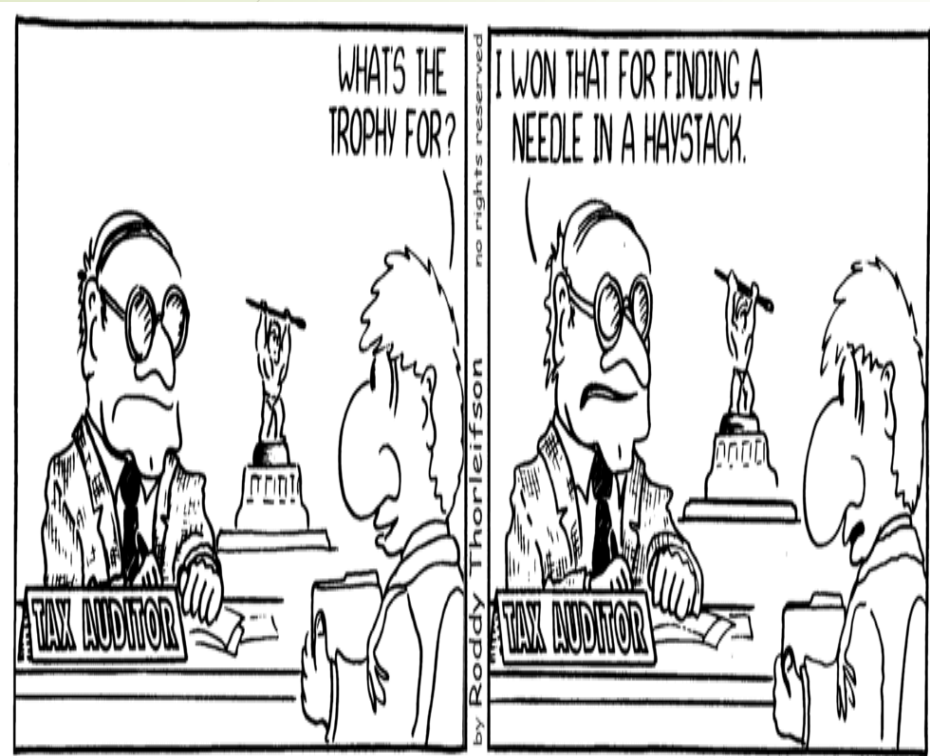
Non-cash Assistance (Commodities):

Entitlement Commodities - 2015-16

10,555

208,433

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



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- Receipt Total on the SEFA, must agree with amounts reported on the audited financial statements for Federal revenues.
- If the SEFA receipts does not equal reported Federal revenue, the notes to the SEFA must include a reconciliation.
- The SEFA MUST balance. (Beginning accrued/deferred balance + expenditures – federal funds received +/- adjustments = ending accrued/deferred balance.)
- All amounts in an adjustment column must be explained in the notes to the SEFA.

Food Service Fund – Excess Fund Balance

- MDE no longer requesting excess fund balance to be reported as a federal finding.
- May be reported as a financial statement finding if in the auditor's judgement the issue is a lack of internal controls.
- Or, should be included as a management comment in the management letter.



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FOOD SERVICE FUND – EXCESS FUND BALANCE AUDITOR RESPONSIBILITY

- When we **MUST** test-
 - Nutrition Major Program
 - Issue noted in Prior Year
- When **MAY** test –
 - Appears to be in excess
 - Anytime
- Yeo & Yeo tests annually for all schools
- **TEST:**
 - Total program costs Less capital outlay
 - Divided by nine (9) months and
 - Multiplied by three (3) months
 - Calculates Allowable Fund Balance
 - Compare to
 - Ending Fund Balance in the NSFSA
- * If SFA is over allowable, excess fund balance exists



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LET'S THRIVE

CORRECTIVE ACTION PLANS

- Uniform Guidance now requires the Corrective Action Plan to be a separate document, apart from the finding and the management response, on school district letterhead.
- Requirement for all findings, including financial statement findings
- Elements of a good corrective action plan:
 - Corrective action planned to address each finding
 - Anticipated completion date
 - Name of the contact person responsible for the corrective action
 - If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons for the disagreement.



CORRECTIVE ACTION PLANS

AUDITOR RESPONSIBILITY

- Include the audit finding reference numbers
- Provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date.
- If the district does not agree with the audit findings or believes corrective action is not required, the CAP must include an explanation and specific reasons
- Must be in a document separate from the auditor's findings (signed, letterhead)
- Review prior year CAPs, ensure progress & corrections have been made in the appropriate timeline.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

REQUIRED BY THE
UNIFORM
GUIDANCE, 2CFR
PART 200

REQUIRED FOR
BOTH FINANCIAL
STATEMENT AND
FEDERAL FINDINGS

SCHOOL DISTRICT
RESPONSIBILITY TO
PROVIDE

MDE
RESPONSIBILITY TO
FOLLOW-UP

IF NOT PROVIDED,
MDE WILL REQUEST
FROM THE
DISTRICT.

SUBRECIPIENT SCHEDULES

- Uniform Guidance now requires that a column be added to the SEFA to report cash transferred to subrecipients.
- MDE requires that a Subrecipient Schedule also be prepared in the SEFA.
- MDE uses this schedule to verify that all funds passed through the ISD or another district are also included on the SEFA and performs a reconciliation of non-single audits that report between \$900,000 and \$1M to verify that no single audit was required.



ALLEGAN AREA EDUCATIONAL SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal grantor/pass-through grantor/program title	Federal CFDA number	Subrecipient award/ contract amount	Subrecipient current year expenditures	Current year cash transferred to subrecipient
PL-94-142 Preschool Incentive:	84.173			
Passed through to:				
Allegan Public Schools		\$ 17,618	\$ 17,618	\$ 17,618
Fennville Public Schools		9,664	9,664	9,664
Hopkins Public Schools		9,674	9,674	9,674
Martin Public Schools		3,836	3,836	3,836
Otsego Public Schools		11,910	11,910	11,910
Plainwell Public Schools		14,124	14,124	14,124
Wayland Public Schools		18,363	18,363	18,363
Total PL-94-142 Preschool Incentive passed through to subrecipients		<u>\$ 85,189</u>	<u>\$ 85,189</u>	<u>\$ 85,189</u>
MSA school base services:	93.778			
Passed through to:				
Allegan Public Schools		\$ 2,908	\$ 2,908	\$ 2,908
Fennville Public Schools		777	777	777
Hopkins Public Schools		321	321	321
Martin Public Schools		364	364	364
Otsego Public Schools		1,294	1,294	1,294
Plainwell Public Schools		1,054	1,054	1,054
Wayland Public Schools		1,853	1,853	1,853
Total MSA school base services passed through to subrecipients		<u>\$ 8,571</u>	<u>\$ 8,571</u>	<u>\$ 8,571</u>

The accompanying notes are an integral part of this schedule.

SUBRECIPIENT SCHEDULES

AUDITOR RESPONSIBILITY

- **Accuracy**
- **Foot/cross-foot**
- **Grant titles, award numbers, CFDA numbers, project numbers**
- **Award amount, cash transferred, federal expenditures**
- **Overall**
 - Review the primary recipient's system for monitoring, obtaining, and acting on subrecipient audit reports and review the adequacy of the system.
 - Comment on the primary recipient's monitoring and disbursing procedures with respect to subrecipients, including its risk assessment of subrecipients



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UNIFORM BUDGETING AND ACCOUNTING ACT (PA 621)

- Compliance with the Uniform Budgeting & Accounting Act is required by MCL 141.437, Sections 17-20.
- MDE has instituted a zero tolerance for violations of the UB&AA. This means that any variance in total revenues, expenditures, or other financing sources/uses that results in a reduction in the budgeted ending fund balance will generate a letter of follow-up by the Office of Financial Management.



UNIFORM BUDGETING AND ACCOUNTING ACT - AUDITOR RESPONSIBILITY

- **Auditor review budget violations**
 - Final Approved Budgets to Totals by function for expenses and revenues
 - Report violations
 - Depending on level of violation
 - Footnote
 - Noncompliance > Other matter (Verbal or Written)
 - Material Noncompliance > finding
 - IC issue with Budgeting
 - Material Weakness
 - Significant Deficiency
- ***Judgement*** if due to one time issue or a accounting oddity UAAL/T47, etc. discuss with your auditor
- **REMINDER – Special Revenue Fund budgets are required**
 - Check final budgets
 - Don't forget School/Student Activities



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REPORTING OF FRAUD, ILLEGAL ACTS, CONTRACT OR GRANT VIOLATIONS OR ABUSE

- Yellow Book requirement for auditors to report to parties outside the audited entity if:

1. Management fails to satisfy legal or regulatory reporting requirements to external parties specified in law or regulation
 - Report to those charged with governance (i.e., Board of Education, Superintendent)
 - Report to specified external parties (i.e. Michigan Department of Education – Audit Manager)
2. Management fails to take timely and appropriate steps to respond to known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that is likely to have a material effect on the financial statements and involves funding received directly or indirectly from a government agency:
 - Report to those charged with governance
 - Directly to funding agency
 - For an illegal use of funds, it may be necessary for the district to report to law enforcement officials.



FREQUENTLY FOUND AUDIT FINDINGS – 2024-2025 FY

- UB&AA Violations
- Material audit adjustments
 - Significant audit adjustments
- Financial statement preparation
- Segregation of duties
- Account and Bank reconciliations
- SEFA preparation and presentation, Year-end closing activities



SEFA, Notes to SEFA, and Audit Finding Reminders

- The SEFA will include the ALNs and subtotals for all expenditures of federal awards for the covered period
- Amounts provided to subrecipients, if any, are included
- The Notes to the SEFA should be consistent with the Schedule of Findings and Questioned Costs
- Prior year audit findings are required to be reported on the current year's Schedule of Findings and Questioned Costs as a prior year audit finding
 - Corrective actions plans are included and should be on school letterhead

NON-SCHOOL DISTRICT AUDITS

All non-school districts receiving funds passed through MDE AND meeting the threshold for a Single Audit must submit their audited financial statements and single audits to MDE and the Federal Audit Clearinghouse within 30 days of receipt of the audit or nine months of the entity's year end, whichever is earlier.

The audit should be submitted electronically using the MDE-FinAudit@michigan.gov email address. Failure to submit the audit to MDE could result in an agency determined to be seriously deficient and may result in termination from the program.

Most Single Audits submitted to the Federal Audit Clearinghouse are available for download. If the non-school district notifies MDE that the audit has been submitted and accepted by the FAC, MDE will download the audit from the FAC. ***This does not apply to school district audits which are required by the State School Aid Act to be submitted to the Department by November 1.***

Other Common Findings

Material Audit Entries

- Deferred inflows (60 day rule)
- UAAL
- Leases (initial entry)
- Bond refunding

Common issues with recent changes in Business offices

- Open positions
- New business managers
- Reconciliations incomplete
- Lack of preparedness

Consider:

- Non-attest work
- Consulting services
- Reach out early to auditors



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Thank You
for
attending!



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