BRIDGING THE GAP BETWEEN THE FINANCIAL AUDIT AND MDE COMPLIANCE

MICHIGAN DEPARTMENT OF EDUCATION

Shoua Vang

Financial Manager

Office of Educational Supports, Financial Unit

THE AUDITORS

Kristi Krafft-Bellsky

Partner, Yeo & Yeo

Tiffany Stacey

Senior Manager, Plante Moran

Marc Sawyers

Senior Manager, Hungerford Nichols

OBJECTIVES

- Audit approach
- Management's requirements
- Auditor requirements
- Consideration of state compliance
- Consideration of federal compliance
- MDE monitoring

AUDIT APPROACH – SAME GOAL, DIFFERENT PATHS

- All Audit Firms
  - Express an opinion on the financial statements and/or major program based on our audits
  - Basic Financial Statements – in accordance with U.S. GAAP
  - Single Audit – Major Program in accordance with Uniform Guidance
  - Audit approach to get there may be different
- Yeo and Yeo
- Plante Moran
- Hungerford
- MDE Monitoring

MANAGEMENT'S RESPONSIBILITIES- FS OPINION

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITIES – FS OPINION

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

OTHER REPORTS

- **UG Report** = Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

- ***GAS* Report** = 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*

UG REPORT EXCERPTS

Opinion on Each Major Federal Program

We have audited Michigan School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Michigan School District's major federal programs for the year ended June 30, 2022. Michigan School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Michigan School District's federal programs.

UG REPORT EXCERPTS

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Michigan School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Michigan School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Michigan School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

Obtain an understanding of Michigan School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Michigan School District's internal control over compliance. Accordingly, no such opinion is expressed.

GAS REPORT EXCERPTS

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ’s internal control. Accordingly, we do not express an opinion on the effectiveness of ’s internal control.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ’s financial statements are free from 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 financial statements. 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.

NONCOMPLIANCE CONSIDERATIONS

- Non-Compliance issues identified
  - Entity did not follow the rules as it relates to laws, regulations, contracts and grant agreements
  - Depending on controls, materiality, and mitigating factors it needs to be assessed as to how significant the issue is
    - Material Noncompliance
    - Material Weakness/Significant Deficiency
    - Other matter-written/verbal

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- Material noncompliance
  - Finding
- Other noncompliance
  - Written
  - Verbal
- Consider controls over compliance

UG REPORT FINDING REQUIREMENTS

- Audit findings must be reported when (2 CFR 200.516):
  - Significant deficiencies and material weaknesses over major programs
  - Significant instances of abuse in major program
  - Material noncompliance in the major program (materiality in relation to a type of compliance requirement)
  - Known questioned costs greater than $25,000
  - Likely questioned costs greater than $25,000, in major program
  - Known or likely fraud in a federal program
  - Instances where the summary of prior audit findings misrepresents the status of prior findings

GAS REPORT FINDING REQUIREMENTS

Table 4-1

Government Auditing Standards Requirements for Reporting Findings

	Include in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	*Otherwise Communicate in Writing*	*Auditors Use Professional Judgment to Determine Reporting*
Deficiencies in internal control over financial reporting:			
Significant deficiencies	X		
Material weaknesses	X		
Other deficiencies in internal control that are not significant deficiencies or material weaknesses			X
Noncompliance with provisions of laws, regulations, contracts, or grant agreements:[1]			
Has a material effect on the financial statements	X		
Is less than material but warrants the attention of those charged with governance		X	
Does not warrant the attention of those charged with governance			X
Clearly inconsequential			X
Fraud:			
Is material, either quantitatively or qualitatively, to the financial statements	X		
Has an effect on the financial statements that is less than material but warrants the attention of those charged with governance		X	

- Source: AICPA Audit and Accounting Guide GAS Chapter 4

STATE COMPLIANCE EXAMPLES

AUDIT MANUAL

STATE REQUIREMENTS

I. The State School Aid Act of 1979

II. The Michigan School Accounting Manual – Bulletin 1022

III. The Michigan Administrative Rules

IV. The Revised School Code

V. School Bond Qualification and Loan Program

VI. The Uniform Budgeting and Accounting Act

VII. The Municipal Finance Act

VIII. Economic Development Tax Incentive Programs

IX. Property Taxable Values

X. Contact Person

UNIFORM BUDGET AND ACCOUNTING ACT

- The MDE Audit Manual specifies that material violations of the UB & AA should be included as findings in the audit report. They list as examples:
  - General Fund Deficits
  - Over expending the budget authorized by the legislative body

- MDE is focused mainly on the General Fund
  - Looking at total revenues, expenditures and financing sources (uses) instead at a line by line level.

STATE AID

- Transparency reporting
- Consider materiality of categorical revenues

UNIFORM BUDGET AND ACCOUNTING ACT

Legislative Guidance:

Section 17 of the UB&AA (MCL 141.437) states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the chief administrative officer or fiscal officer shall present recommendations to the legislative body which, if adopted, would prevent expenditures from exceeding available revenues for the fiscal year.

Sections 18 and 19 (MCL 141.438 and 141.439) state that an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body. Additionally, the chief administrative officer, an administrative officer, or an employee of the local unit shall not apply or divert money for purposes inconsistent with those specified in the appropriations.

Section 20 (MCL 141.440) requires MDE to notify the Attorney General of violations of Sections 17 to 19 that are disclosed in audits of school districts that have an "absence of reasonable procedures in use by the local unit to detect such violations."

DEFICIT FUND BALANCE- GENERAL FUND

- This is likely material noncompliance and should be reported as such.
  - Consider deficits in funds other than the general fund. If netted against the general fund balance results in a negative amount, a deficit elimination plan will be required.
- As soon as a deficit is identified Districts should notify MDE and not wait until the FID is filed.

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FEDERAL COMPLIANCE

SINGLE AUDIT 101

- Major Program Determination (§ 200.518)
  1) Identify Type A and Type B programs

Total Federal Awards Expended	Type A Threshold
$750,000 - $25 million	$750,000
$25 million - $100 million	3% of total federal expenditures
$100 million - $1 billion	$3 million

  2) Risk assess all Type A programs
     - If high risk must be audited:
       - Program audited every third year, at a minimum
       - No material weaknesses in internal controls each of past two years
       - Deemed "high risk" by federal agency – MUST audit
  3) Type B risk assessments (1/4th the # of Type A programs)
     - Auditor judgment – consider inherent risks, complexity of program, oversight of awarding agency, etc.

SINGLE AUDIT 101

- Evaluate Direct and Material Compliance Requirements

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	Y	N	Y	N	N	N	Y	Y	Y

  - Compliance supplement is your guide
  - "Pick 6" requirement
- Interpret each direct requirement in supplement
  - Clear indication of responsibility? SEA vs. LEA
  - If no clear indication of LEA responsibility….
    - See related requirement communicated by MDE in memo, grant agreement, etc
    - Test as extension of federal requirement
      - Example – REPORTING. The State can't submit accurate grant reports without receiving information from subrecipients.
  - Conclude on whether or not requirements are <u>material</u>

SINGLE AUDIT 101

- For requirements direct AND material…develop testing program
  - Must support low level of control risk of noncompliance
    - Control risk of noncompliance = risk that noncompliance with a compliance requirement could occur and that could be material to a major program, either individually or when aggregated with other instances of noncompliance, will not be prevented, or detected/corrected, on a timely basis by the entity's internal control over compliance.
    - Control risk deemed high? Sampling approach must reduce it to low:
      - Performing preliminary tests of controls to assess effectiveness
      - Additional substantive testing needed
- Suggested audit procedures in supplement – no one way to crack an egg!
    - Dual testing – compliance and controls – with same sample
      - Audit documentation trail critical for control testing
    - Testing methodologies will differ from firm-to-firm….and possibly district-to-district depending on objective
      - Substantive vs. Analytical

DIFFERENT STROKES FOR DIFFERENT FOLKS

Illustrative example – Evaluating/Understanding Payroll Charges to a Federal Grant

- Gain understanding to assess risk of noncompliance
- Analyze general ledger detail
  - General Disbursements vs. Payroll
- Are charges allowable and reasonable?
  - Obtain narrative, understand context
- Define controls in process – client driven
  - Time certifications, PARs, or allowable alternative method?
  - What action taken by the district ensured charges are allowable and accurate?
    - COVID19 had a HUGE impact on control structure for federal grants

DIFFERENT STROKES FOR DIFFERENT FOLKS

Illustrative example – Testing Payroll Charges to a Federal Grant

- General analytics
  - Impact on allowable cost requirement considered in direct/material assessment
- Define expenditure population and sampling unit
  - Actual charges vs. Estimated charges at time of fieldwork. Population may not be complete!
  - AICPA Sampling Guide
  - Monetary unit sample? One pay period?
    - Consider how many individuals charged to grant; sub-sample as needed
    - Split-funded employees charged?
- Test charges – compliance AND control.
  - Controls MUST be tested.
  - Compare expected charge (auditor calculated based on district process/controls) to actual charge to assess compliance

TITLE I – PROGRAM WALKTHROUGH

Title I : Heavy MDE oversight and a tricky compliance supplement…

- Gather your tools:
  - 2022 Compliance Supplement (including "Cross-Cutting Section")
  - ***MDE SCHOOL AUDITING MANUAL***
  - Results of MDE-monitoring
- Navigating the federal compliance supplement – note key differences
  - Federal requirements per supplement drive audit procedures
  - State requirements – assess materiality:
    - Qualitative factors?
      - Parental involvement – deemed qualitative but NOT identified in suggested audit procedures
    - Connection to federal requirement?
      - Can MDE comply with federal requirement in absence of state requirement?
      - Determination may impact how we report noncompliance (audit finding vs. letter to the boar

TITLE I – PROGRAM WALKTHROUGH

- "Time and Effort Reporting" - Significant payroll charges in Title I
  - Must consider grantor (MDE) AND federal requirements

    Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. Reasonably reflect the total activity for which the employee is compensated by the non-federal entity, not exceeding 100% of compensated activities.

  - *Department* – Time certifications, PARs or *PARs - like* documentation is required
    - If alternative method used, confirm MDE considers it to be "PARs – like"
  - *Auditor* – may identify a control over compliance that is NOT considered "PARs-like"
- Payroll testing will vary depending on firm approach

TITLE I – PROGRAM WALKTHROUGH

ADDITIONAL DIFFERENCES - Required by MDE but NOT required to be tested in Single Audit:

- Earmarking – parental involvement – LEA must budget at least 1% of their allocation for these activities and distribute at least 95% of the amount budgeted.
- Carryover – waiver needed if intend to carry over more than 15%
- Comparability - does district determine comparability status each year?
- Schoolwide programs – did school meet eligibility requirements (40% poverty) in first year of implementation
- Comprehensive and targeted schools – did district disseminate information to ALL schools in the LEA and ALL parents of students attending those schools, and make it available through widely available public means?
- Staff qualifications
- N/A in supplement doesn't mean N/A to MDE
  - Federal agency can only pick 6 requirements that apply – MDE may require compliance for other requirements not "Direct" (e.g. Equipment)

NOTE: MDE Auditing Manual is not all inclusive. Some requirements reference to 2 CFR 200. See supplement for additional information on the following Special Test and Provision requirements:

- Private school participation
- Access to federal funds for new or significantly expanded charter schools
- Oversight and monitoring responsibilities with respect to charter schools with relationships with Charter Management Organizations

CHILD NUTRITION

- Auditor Responsibilities – Compliance Supplement "Pick Six"

Requirement	A	B	C	E	F	G	H	I	J	L	M	N
Program Number	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
10.553/10.555/10.556/ 10.559/10.582 (Child Nutrition Cluster)	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y

CHILD NUTRITION

- Activities Allowed/Unallowed
- Allowable Costs/Cost Principles
- Eligibility
  - LEAs could have extended SFSP for July-September 2021
  - LEAs could have operated under "normal" CNC rules or the Seamless Summer Option (SSO) waivers
- Procurement
  - Procurement policies followed for food/milk/FSMC
- Reporting
  - Monthly claims for reimbursements within 60 days
  - Accurate supporting records
- Special Tests
  - Verification of Free/Reduced Applications
  - Accountability for Donated Foods
  - Non-Profit School Food Service Accounts
  - Paid Lunch Equity – Not required for FY22 for LEAs that utilized SSO waiver

CHILD NUTRITION – COMMON PITFALLS

- Common Monitoring Visit Comments
  - Food Service Indirect Cost Rate
    - Limiting contracted services to the first $25,000
    - Ensuring proper approval of equipment over $5K
    - Examples of typical indirect costs
  - Excess Fund Balance
    - No suggested audit procedures in the compliance supplement
    - Calculation – 3 months average expenditures
    - Spend down plan
    - Audit Reporting – finding vs. management letter comment
  - Meal Counting and Reporting

FRAUD AND ABUSE

- Auditors are required to report known or likely fraud, illegal acts, and violations of provisions of contracts or grant agreements or abuse directly to outside parties when
  - Management fails to report when they are required to
  - When management fails to take timely and appropriate steps to respond to fraud or noncompliance and it is likely to have a material effect on the subject matter and involves funding received directly or indirectly from a government agency. We should first report this to governance and then to the funding agency.

MDE FISCAL MONITORING

THE FISCAL MONITORING PROCESS

- Fiscal Monitors review all Federal funds disbursed through the Consolidated Application
  - Fiscal Monitoring Team:
    - Shoua Vang, Financial Manager
    - Michael Stevens, Senior Auditor
    - Michael Wynn, Fiscal Monitor
    - Cristy VanSteenburg, Fiscal Monitor
    - Bill Anderson, Fiscal Monitor
    - Tammy Franks, Departmental Analyst
    - Amanda Pietchak, Administrative Support

THE FISCAL MONITORING PROCESS

- **Regulatory hierarchy of a state-administered programs**

1. The Elementary and Secondary Education Act (**ESEA**) of 1965 - Program Statute
2. General Education Provisions Act (**GEPA**) - Enforcement
3. The Administrator's Handbook on Education Department General Administrative Regulations (**EDGAR**) - Program-specific Regulations – very rare
4. 2 CFR, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance - **UGG**)

THE FISCAL MONITORING PROCESS

- **Pre-engagement**
  - Selection of Local Education Agency (LEA) for review
    - Risk Assessment (2 CFR 200.518) factor examples
      - Federal Allocations total amount
      - Last on-site (program/fiscal) review
      - Number of FER Deviations
      - Deficit/Partnership District
      - Single Audit findings
      - Graduation Percentage Rate

THE FISCAL MONITORING PROCESS

- **Pre-engagement**
  - Determine if review will be conducted on-site or from a remote location (Desk Review)
  - Notify LEA it has been selected for an on-site fiscal review (or desk review) and determine a mutually agreed-upon date for the engagement

THE FISCAL MONITORING PROCESS

- **Pre-engagement**
- Document request list to the LEA may include but not be limited to:
  1. Summary and detail general ledgers of every Title program.
     - The general ledger detail of each Title program is used for selecting a sample of general expenditures.
  2. A list of ALL Title funded employees to determine which staff will be reviewed.
  3. The return of a completed questionnaire.
     - The purpose of a Questionnaire is for the Fiscal Monitor to gain a general understanding of the LEA's internal operations, prior to the review
  4. An inventory list of Title funded equipment purchased in current and prior program years.
     - Items costing $100 or more with useful life of more than one year
     - Dispositions are also to be listed for at least 5 years
       - EDGAR: 2 CFR 200.335 – 3 Years
       - GEPA: 34 CFR 81.31(c) – 5 years
       - SEC: 17 CFR 210 – 7 Years (optional)

THE FISCAL MONITORING PROCESS

- **Pre-engagement continued**
- Additional requested documentation should be available when we arrive or begin on the scheduled review date. For example, invoices, purchase orders, time and effort documentation, background check info, evidence of staff credentials, cash draw info
- Will also review the Consolidated Application, Grant Award Notification, Final Expenditures Reports, Cash Draws, etc.

THE FISCAL MONITORING PROCESS

- **The Entrance Conference**
  - Meet and greet LEA staff
  - Complete the sign-in sheet of all involved in the review
  - Determine contacts for the engagement
  - Define office locations of staff for questions
  - Briefly explain the nine sections and process of the engagement
  - Schedule a closing meeting
  - Ask if the LEA staff have any questions
  - Review requested additional documentation the LEA has pulled for the engagement and how to address outstanding items

THE FISCAL MONITORING PROCESS

- **The Engagement -** There are nine sections to our review:

1. **Staff**
   - Verify teacher certificates and paraprofessional eligibility (Appropriate Placement)
   - Verify background checks have been performed
   - Verify that time and effort documentation has been completed
2. **Policies and Procedures**
   - Verify LEA policies and procedures contain written documentation for each of the following:
     - Cash Management, Allowability of Cost, Conflicts of Interest, Procurement, Travel Reimbursement, Equipment Management, and Time and Effort procedures
3. **Cash Draws**
   - Verify all cash draws are supported by expenses recorded in the Title general ledgers at the time of the draw

THE FISCAL MONITORING PROCESS

- **The Engagement -** There are nine sections to our review:

4. **Payroll expenditures**
   - Verify staff is paid according to their contract, offer letter or payroll approval
   - Verify payroll, including benefit expenses are charged to the respective program's general ledger in the same way they are pre-approved in the Consolidated Application. Benefits are reviewed for the proportionality to wages.
   - Verify payroll charges are supported by time and effort documents
5. **Budget**
   - Compare LEA budget and actual expenses as recorded in the Title general ledgers to the Consolidated Application
6. **Final Expenditure Reports**
   - Compare actual expenses as recorded in the Title general ledgers, to the amounts and classifications reported in the Final Expenditure Reports (FER)

THE FISCAL MONITORING PROCESS

- **The Engagement -** There are nine sections to our review:

7. **General Expenditures**
   - Verify expenditures are made and paid within the approved expenditure period contained in the Grant Award Notification
   - Verify expenditures are pre-approved in the Consolidated Application
   - Verify expenditures are classified in the general ledger by function *and* object code as pre-approved in the Consolidated Application
   - Verify expenditures are supported by vendor invoices, purchase orders, and contracts and are approved by the appropriate and authorized LEA staff
   - Verify sign-in sheets and agendas are maintained for Title funded in-house professional development and parent engagement activities

THE FISCAL MONITORING PROCESS

- **The Engagement -** There are nine sections to our review:

8. **Purchased Services (Contracted Services)**
   - Verify contracts are available for review upon request
   - Verify contracts are signed by all parties
   - Verify contracts detail the scope of services to be performed
   - Verify contracts detail the start and end dates of performance
   - Verify contracts detail the payment amount for performance
   - Verify the contract details termination provisions for contracts greater than $10,000
   - Purchase orders may be used in lieu of contracts provided all necessary provisions are present

THE FISCAL MONITORING PROCESS

- **The Engagement -** There are nine sections to our review:

9. **Equipment**
   - Verify the district has a Title inventory listing which shows date purchased, description, cost, location, serial number or identification number, funding source, disposition date, and condition
   - Verify that equipment purchases are added to the inventory listing for items that cost $100 or more, with useful life of greater than one year
   - Visit the schools to verify the equipment on the inventory listing exists and is located where indicated on the listing.
   - When computing devices are disposed they are considered supplies and values of each are aggregated. Disposed inventory should be kept on the listing for at least 5 years after disposal
     - EDGAR: 2 CFR 200.335 – 3 Years
     - GEPA: 34 CFR 81.31(c) – 5 years
     - SEC: 17 CFR 210 – 7 Years (optional)

THE FISCAL MONITORING PROCESS

- **The Exit Conference**
  - Discuss all nine areas included in the Fiscal On-Site Review or Desk Review report and clarify all tentative findings or open items
  - The district will receive the final report and a Compliance Plan Form to complete within 1-3 months after completion of the review

THE FISCAL MONITORING PROCESS

- **Next Steps:**
  - District will receive a copy of the Fiscal Monitoring Report and a Compliance Plan Form to complete if exceptions were found
    - Congratulations letter sent if Compliance Complete!
  - District needs to explain on the compliance plan form how it plans to fix the exceptions found during the fiscal monitoring review and return form to OES at OFSFinancial-Unit@michigan.gov for review
    - The LEA's response period for returning a completed Compliance Plan Form is
      - 30 business days after receipt if the review was a full review
      - 15 business days if the review was a follow-up

THE FISCAL MONITORING PROCESS

- **Next Steps Continued**
  - If there are questioned costs, once the compliance plan is approved, OES will recapture funds if applicable
  - The costs will be recaptured through the administrative process through a cash draw reduction on the next draw

THE FISCAL MONITORING PROCESS

- **Appeals Process**
  - Should LEA/PSA decide to appeal, two steps:
    1. Appeal to Deputy Superintendent in writing to:
       - Dr. Delsa D. Chapman
         - Send the appeal by email to Tamara Triplett at triplettt@michigan.gov
    2. Appeal to the Michigan Office of Administrative Hearings and Rules (MOAHR)
         - Be sure to include Dr. Corinne E. Edwards, Director, Office of Educational Supports, in the courtesy copy of your appeal
         - Be aware of additional time spent on hearings, testimonies, and fees

QUESTIONS????????

CONTACT INFORMATION

MICHIGAN DEPARTMENT OF EDUCATION

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