# The Fiscal Monitoring Process

Office of Educational Supports – Financial Unit

Michigan Department of Education

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**Presented by: The Fiscal Monitoring Team**

MICHIGAN Department of Education

# 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**)



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# 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**

  - 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

  - Determine if review will be conducted on-site or from a remote location (Desk Review)

  - For a review, the LEA will receive an appointment.  For a desk review, on the dates the review is formally scheduled we ask that you make your Fiscal Monitor a priority to answer questions or provide assistance.

# 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 MDE 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 and other tangible personal property 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 (Recommended)

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- **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 Document Request List Example

**MICHIGAN DEPARTMENT OF EDUCATION**
**Office of Educational Services (OES) - Financial Unit**

**DOCUMENT REQUEST FORM**

**Please submit electronic copies of the following documents to OES fiscal monitor Michael Stevens via email at stevensm14@michigan.gov.**

- **2021-22** staff list for all individuals paid with Federal Title Program funds. Please include their **name**, **position(s)**, **funding source(s)**, **percentage of each funding source**, **building**, **salary/hourly rate**, **total gross wages**, **total gross fringe benefits**.
- **2021-22** general ledger (GL) summary and detail for all Federal Title Programs
- Board adopted Policies and Procedures for:
  - Cash Management
  - Allowability of cost
  - Conflicts of interest
  - Procurement
  - Time and Effort Documentation
  - Travel reimbursement
  - Equipment Management
- Inventory list of equipment items purchased with Federal Title Program funds.
- For sampled employees we will review the following original documentation:
  - Payroll summaries for our selected sample of employees for a pay period and the final showing total wages & benefits. **Please provide for the first full pay period in March.**
  - Time and Effort documentation - Semi-annual Certification or Personal Activity Report-like documentation.
  - Teacher Certifications and Professional Licenses
  - Evidence of criminal background checks (TCN# from background check or IChat records. If needed, IChat contact is **517-241-0713**, or email **msp-crd-ichathelp@michigan.gov** )
- The employee or contract employee's contract, their teaching certificate, evidence of post-secondary degree (e.g. AA, BA, MA, Ph.D.); copy of transcript showing 60 credit hours completed at a post-secondary institution. Employee union contracts or 3rd party employee-provider contracts, their bargaining unit step information, if available.
- All cash draws and supporting documentation for each of the draws.
- For selected contracted services we will review:
  - Original Contracts
  - Bid documents
  - Invoices for selected services
  - Evidence of criminal background checks on contracted individuals
  - Sign-in sheets and agenda for in-house training
  - For selected equipment purchases we will review invoices, purchase orders (POs) and their approvals; trace items to the inventory listing.
  - For selected supplies and materials we will review invoices, POs, receipts, approvals for POs & invoices, and other supporting documentation

# The Fiscal Monitoring Process

- **The Entrance Conference (On-site)**
    - 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

**Common Findings:**

- Paraprofessionals not “appropriately placed”
- Time & Effort (TE) is insufficient or nonexistent.

# The Fiscal Monitoring Process

- **The Engagement – cont.**

  2) **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

**Common Findings:**

- Benefits are not charged in proportion to wages approved in the Consolidated Application
- Misclassifications
- Amounts charged for Staff do not agree to Time & Effort documentation
- LEAs must adhere to the authorized amounts of each LINE ITEM in the Consolidated Application.  There is a 10 percent cost overrun allowance per LINE ITEM not per function code.

# The Fiscal Monitoring Process

- **The Engagement – cont.**

   3) **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

**Common Findings:**

- Missing the required written policies and procedures.

# The Fiscal Monitoring Process

- **The Engagement – cont.**

  4) **Cash Management**
     - Verify all cash draws are supported by expenses recorded in the Title general ledgers at the time of the draw

**Common Findings:**

- Cash draws exceed expenditures recorded in the general ledger
- Not maintaining a general ledger that supports amount drawn.

# The Fiscal Monitoring Process

- **The Engagement – cont.**

  5) **Budget**
     - Compare LEA budget and actual expenses as recorded in the Title general ledgers to the Consolidated Application.

**Common Findings:**

- Misclassifications – Expenditures recorded in the wrong function and/or object code. Charging the incorrect building (Title I, Part A only) or program
- Expenditures must not exceed authorized amounts by more than 10 percent.

# The Fiscal Monitoring Process

- **The Engagement – cont.**
  6) **Federal Expenditure Report**
     - Compare actual expenses as recorded in the Title general ledgers, to the amounts and classifications reported in the Final Expenditure Reports (FER)

**Common Findings:**

- In general, any difference between amounts recorded in the general ledger and reported in the FER is considered a finding (variance).

# The Fiscal Monitoring Process

- **The Engagement – cont.**

  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

**Common Findings:**

- Misclassifications
- Expenditures not approved in CA or exceeding authorized amounts by more than 10 percent
- Missing sign-in sheets and agendas for in-house PD or Parent Engagement.

# The Fiscal Monitoring Process

- **The Engagement – cont.**

  8) **Purchased Services (Contracting)**
     - 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

**Common Findings:**

- Not having contracts for purchased services
- Non-compliant contracts.

# The Fiscal Monitoring Process

- **The Engagement – cont.**

  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.
     - Disposed inventory should be kept on the listing for at least 5 years after disposal
       - EDGAR: 2 CFR 200.334 – 3 Years
       - GEPA: 34 CFR 81.31(c) – 5 years (Recommended)

**Common Findings:**

- Inventory lists not provided, updated, or not containing all required information.
- Equipment items not located during the physical inventory portion of the review.



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# 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:**
  - In one to three months the LEA 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



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# The Fiscal Monitoring Process

- **Next Steps Continued**

  - If there are questioned costs, once the compliance plan is approved, OES will recapture funds, if applicable

  - Upon receipt of the finalized report, fiscal letter, and compliance plan form, the LEA has an opportunity to request reconsideration of any questioned costs. If there is additional exculpatory substantive documentation to support expenditures under question it <u>must</u> be submitted at this time. No exceptions!

  - The costs will be recaptured through the administrative process through a cash draw reduction on the next draw from the State of Michigan.

# 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

# The Fiscal Monitoring Process

Questions?

# Contact Information

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