

# I LOVE A GOOD AUDIT

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:

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	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
August	2,206.13	0.00	2,206.13	0.00	0.00	2,206.13	49,519.64	0.00
September	5,634.86	0.00	5,634.86	2,155.74	0.00	7,790.60	41,729.04	0.00
QTD (1)	7,840.99	0.00	7,840.99	2,155.74	0.00	9,996.73		0.00
October	5,636.63	0.00	5,636.63	2,324.03	0.00	7,960.66	33,768.38	0.00
November	4,284.21	0.00	4,284.21	1,724.57	0.00	6,008.78	27,759.60	0.00
December	3,813.22	0.00	3,813.22	1,736.37	0.00	5,549.59	22,210.01	0.00
QTD (2)	13,734.06	0.00	13,734.06	5,784.97	0.00	19,519.03		0.00
January	4,100.61	0.00	4,100.61	2,242.71	0.00	6,343.32	15,866.69	0.00
February	3,669.59	0.00	3,669.59	240.84	0.00	3,910.43	11,956.26	0.00
March	4,957.08	0.00	4,957.08	0.00	0.00	4,957.08	6,999.18	0.00
QTD (3)	12,727.28	0.00	12,727.28	2,483.55	0.00	15,210.83		0.00
April	4,508.27	0.00	4,508.27	0.00	1,316.89	5,825.16	1,174.02	0.00
May	1,906.89	0.00	1,906.89	0.00	1,389.36	3,296.25	-2,122.23	0.00
June	0.00	0.00	0.00	0.00	188.64	188.64	-2,310.87	0.00
QTD (4)	6,415.16	0.00	6,415.16	0.00	2,894.89	9,310.05		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

Entitlement

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

Allowable

	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

# 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 \$750,000
  - Single Audit \$750,000

National School Lunch Program -

Non-cash Assistance (Commodities):

Entitlement Commodities - 2015-16

10.555

208,433



# 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 the auditor's judgement is the issue is a lack of internal controls.
- Or, should be included as a management comment in the management letter.



# 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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# FOOD SERVICE FUND - EXCESS FUND BALANCE AUDITOR RESPONSIBILITY

## Triggers—

- MDE requires the SFA to submit a Plan of Action and obtain MDE's prior approval to improve the food quality or take other action designed to improve the School Meals Program's, per 7 CFR Part 210.19 (a)(2)
- MDE requires the SFA to spend down those monies typically by the end of the next school year, but have been working with the school if unable to do so

## ▶ Triggers -

- Audit - noncompliance issue
- Experienced auditors - management comment
- Typically - NOT material noncompliance or a material weakness
  - Even if the amount is material

General - the point is the SFS is a nonprofit fund/a restricted account, the excess funds cannot be used to profit the general fund; funds must be used for the benefit of the School Meals Program



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# ESSER FUNDS - DAVIS-BACON ACT VIOLATIONS



- Exceptional number of deficiencies found in compliance with the Davis Bacon Act in relation to ESSER Funds.
- The Compliance Supplement states: Recipients and subrecipients that use ESF funds for minor remodeling, renovation or construction contracts that are over \$2,000 and use laborers and mechanics must meet Davis-Bacon prevailing wage requirements.

# ESSER FUNDS - DAVIS-BACON ACT - AUDITOR RESPONSIBILITY

- Special tests and provisions - Wage Rate Requirements
  - We take a sample of construction contracts and subcontracts greater than \$2000
    - That are covered by the Wage Rate Requirements
    - Verify required prevailing wage rate clauses were included in the contract
    - For each week in which work was performed under the contract, verify that the contractor submitted the required certified payrolls.
- Recipients and subrecipients that use ESF funds for **minor remodeling, renovation or construction contracts that are over \$2,000 and use laborers and mechanics must meet Davis-Bacon prevailing wage requirements.** For information about the prevailing wages in the applicable region, see the Department of Labor (DOL) regional office: <https://www.dol.gov/agencies/whd/government-contracts/construction/regions>.



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# ESSER FUNDS - DAVIS-BACON ACT - AUDITOR RESPONSIBILITY

- See many issues
  - Specifically with HVAC
- Check with you contractors, they may have complied
- Could lead to Noncompliance and or Finding (Significant Deficiencies/Material Weakness)
- Questioned Costs - pay back of funds



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# ESSER FUNDS – REMINDERS

- ESSER- SBITAs
  - SBITAs paid with ESSER grant funds have to have a subscription ending on or before 9/30/2024
  - Otherwise MDE is considering the funds not properly obligated and a period of availability issue.
  - Therefore- any prepayments of SBITAs should NOT be charged to ESSER for subscriptions that last beyond 9/30/2024.
- Meaningful consultation and plan for the use of funds is supposed to be updated every six months during the entire award period, not just when funds are spent. MDE is focusing on this through June 30th as there have been several budget amendments districts have submitted, but not everyone is updating the continuity of services plan every six months.



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# 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.



# 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 \$700,000 and \$750,000 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.

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# 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.



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# 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/147, etc. discuss with your auditor



# 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)

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



# 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 within nine months of the entity's year end.

The audit should be submitted electronically using the [MDE-FinAudit@michigan.gov](mailto:MDE-FinAudit@michigan.gov) email address.

All 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.*

**Thank You** *Mahalo*  
*Tack* **Kiitos**  
*Grazie* **Thanks**  
*Takk* **Gracias**  
*Toda*



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