

MDE PUPIL AUDITING MANUAL

INTRODUCTION

This manual is provided as a resource to pupil accounting auditors in performing desk and field audits of membership count procedures. Specific forms and programs have been developed to ensure that all audits are performed on a standardized basis. These requirements apply to all pupils, including those in alternative education programs operated by the Adult Education Offices. Desk audits may be performed before or after the original submission of the FTE count (DS-4061). However, ISDs should run the CEPI error check program before submitting the original count.

Section 18(4) of the State School Aid Act requires that the Department approve and publish a pupil auditing manual. Section 81(6) of the State School Aid Act requires that each intermediate school district (ISD) employ at least one person who is trained in pupil counting procedures, rules and regulations. The auditor must be free of conflicts of interest. Section 18(2) of the State School Aid Act requires pupil memberships to be audited by either an ISD auditor or public accounting firm. The audit shall be done in accordance with the Pupil Accounting Administrative Code Rules, the State School Aid Act, the MDE Pupil Auditing Manual, the MDE Pupil Accounting Manual, and other pertinent statutes.

SECTION 1 – AUDIT CYCLE

Department policy **REQUIRES** that all high school buildings or programs be field audited at least once every two school years and that all middle school and elementary school buildings be audited at least once every four school years. Professional judgment allows the auditor to change the high school audit cycle to not less than once every three years based on previous field audit results. This must be documented in the audit narrative. In addition, the Department requires that each building/program be desk audited for each pupil count. At least one building or program must be field audited for each district each year. Because of a higher potential for errors, certain individual buildings/programs may need to be audited more frequently. The auditor may use discretion in increasing the frequency of field audits. Any deviation in audit frequency must be documented by the auditor. See Section 3, 2.e, Planning for the Field Audit.

In addition, Department policy requires that each public school academy (PSA) receive a field audit for the first count that the academy is in operation. After that, the PSA can be put on the regular audit cycle when the following two conditions occur: 1) the error rate for all populations is less than 5%, and 2) in the auditor's professional judgment, the auditor believes that the academy staff have a working knowledge of and have an adequate internal control system for the development of the membership count.

The audit risk, the risk that the building pupil membership count may not be accurate, needs to be considered when determining audit frequency. The overall risk assessment for each building and population is based on the auditor's judgment and must be documented. The risk assessment is used to determine the buildings to be audited and the sample size of pupils to be tested.

In determining the overall risk of a building or program, the auditor should consider the following:

- The results of the prior field and desk audits (Sites or programs with error rates over 5% should be considered high risk.)
- The effectiveness of district count procedures and controls
- The experience of district personnel assigned to process pupil count data (per Local District Planning Form)
- The frequency of pupil absenteeism noted during the count period
- The number of non-conventional pupils attending the building
- Variation of current counts from prior counts

SECTION 2 – DESK AUDITS

A desk audit must be done for ALL DISTRICTS AND FOR EVERY COUNT PERIOD.

Utilization of the audit program will provide standardization and allow the auditor to perform the necessary procedures in a more effective and efficient manner. It is recommended that the desk audit be completed prior to beginning the field audit. The primary objective of the desk audit is to verify that the district's pupil membership counts are supported by building or program alpha lists and are mathematically accurate.

Required Documentation:

The reports listed below must be submitted to the ISD by the deadline established in the State School Aid Act.

1. SRSD Unaudited FTE Summary Report (DS-4061) (listing FTEs by building and totals for the district). This report is generated through the error check program for the Single-Record Student Database (SRSD).
2. Alphabetical list of membership by building or program for K-12, alternative, and special education center programs. This may be printed from the SRSD. Each alpha list must contain, at a minimum, the following information:
 - Pupil's legal name
 - Pupil's street address, city, state, and zip code
 - District pupil identification number (could be different than the SRSD UIC)
 - Date of birth
 - Residency status (resident or nonresident) (N/A for PSAs)
 - Name or school code of resident district for nonresident pupils
 - Name or school code of educating district for pupils educated some or all of the day in a district other than the district of residence
 - Name and school code of educating district for resident pupils educated for some or all of the day in a district other than the district of residence
 - Pupil grade level or program classification
 - Total FTE for each pupil, including the breakdown between general education and special education, if applicable. FTE may be rounded to the nearest tenth or hundredth, at the district's discretion, provided there is consistency throughout the district.
 - FTE total for the building/program – general education, special education, and grand total FTE

The following information may be included on the alpha list or on separate lists:

- Indication of which non-conventional categories apply to each pupil.
- Indication of which pupils are absent in any class on the count day and return within the 10/30-day period.

3. Consortium agreements

Minimum Desk Audit Procedures

1. Review the alphabetical lists of membership to verify the following:
 - a. The list contains all of the required information.
 - b. All age requirements have been met. SRSD Field 9 should calculate it.
 - (1) Pupils must have attained the age of five as of December 1 of the school year.
 - (2) All pupils, except special education pupils, but including alternative education pupils, must not have attained the age of 20 as of September 1 of the school year.
 - (3) Pupils enrolled and receiving instruction in a special education program approved by the Department must not have attained the age of 26 by September 1 of the school year.
 - (4) Pupils enrolled in alternative education programs operated through adult education must have attained the age of 16 as of September 1 if they are educated with participants.
 - c. The building FTE totals on the alphabetical lists of membership match the totals on the SRSD Unaudited Summary FTE Report (DS-4061).
 - d. Pupils who are absent on the count days are identified on the alphabetical lists or on separate lists.
 - e. Pupils in non-conventional categories are identified on the alphabetical lists or on separate lists.
 - f. The alphabetical lists of membership are signed by an authorized representative.
 - g. That each pupil's FTE did not exceed 1.00.
2. Prior to the submission of the pupil counts to CEPI, the ISD auditor should put all of the school districts' pupils in one file and run the error check program to identify duplicate names.
3. Review the Special Education Worksheets A and B to verify that:
 - a. No required information has been omitted;
 - (1) Teacher codes have been included.
 - (2) Pupils' ages have been indicated.
 - (3) Associated regular education FTE amounts, if any, have been reported in the proper column.
 - (4) The educating districts have been identified for pupils being educated outside of their district of residence.
 - b. FTE totals have been correctly computed.
 - c. Each pupil's FTE did not exceed 1.00.
 - d. All pupils listed on the worksheets have been identified on the alphabetical lists of membership.
4. Verify the accuracy of FTEs reported in the Additional Information on K-12 Pupils, and the Residency-Related Information sections of the DS-4061 report.

5. Review the district's calendar to determine that the days and hours scheduled meet minimum requirements (can be done as part of the field audit).
6. From the population of Section 105 and 106 Schools of Choice pupils counted for membership (SRSD Field 30), review each sampled membership to:
 - a. Verify that the district complied with timelines.
 - b. Verify that a random draw was conducted if applications exceeded openings.
 - c. Verify that enrollment was not refused due to disability or discrimination.
 - d. Verify that the proper district of residence was identified.
7. From the population of pupils enrolled in a district other than the pupil's district of residence, under Section 91 or 91(a), review each membership to verify that the pupil was counted by the educating district.
8. Evaluate the results of the desk audit and determine if changes need to be made to the district's risk assessment.

SECTION 3 – PLANNING FOR THE FIELD AUDIT

The objective of this section is to properly plan the audit.

1. Document the independence of the auditor (see page 25). The auditor should not have a conflict of interest in regard to the school district, building or program to be audited. Such conflicts could include:
 - a. The auditor was formerly employed by the school district, building, or program to be audited (within the preceding two years).
 - b. The auditor has relatives currently employed by the school district, building or program.
 - c. The auditor has a personal or financial interest (e.g., service or employment contract) with the school district.

Practical Note: *In instances when the auditor is found to have a conflict of interest, the ISD superintendent should be informed and measures should be taken to minimize, if unable to completely eliminate, the conflict of interest. This could be addressed by reassigning the audit to another auditor (if applicable) or acquiring the services of an outside auditor who is independent (e.g., from another ISD).*

2. Perform the following planning steps before the field audit begins:
 - a. Review correspondence file, prior audit working papers, prior audit report, and any audit or relevant monitoring reports the district received from other sources.
 - b. Review the *Pupil Accounting Manual*.
 - c. Review the Local District Planning Form (see pages 26 and 27).
 - d. Compare current pupil membership counts by building and type (e.g., conventional, homebound/hospitalized, postsecondary enrollment) with the pupil membership counts from the same period of prior school year.
 - (1) Identify unusual pupil membership counts.
 - (2) Consider whether matters identified indicate a higher potential for inaccurate pupil memberships.
 - e. Select and document the buildings for audit based on the audit cycle and a risk assessment. Selection criteria should include types of pupils, prior audit findings, variation of current count from prior counts, rotation schedule, and potential for error.
 - f. Discuss the buildings/programs to be audited and the timing of the audit with responsible local district personnel. Also, provide the local district with a list of items that will need to be available during the field audit. Discussions should also include adequacy of workspace for the auditors, access to pupil membership records, and assistance to be furnished by the local district.

SECTION 4 – BUILDING FIELD AUDITS

This comprehensive description of building field audit procedures is provided, as well as a condensed audit program (see Section 5). The auditor has discretion in developing alternative audit programs but must: 1) adequately document the work performed, and 2) meet minimum audit standards.

The objective of the field audit is to determine that the building or program FTEs have been properly documented and claimed for state school aid.

Audit Procedures

1. Assess risk by completing a building risk assessment as described in Sections 1 and 3. A list of the pupils in the following three categories must be provided for each building:
 - Population I – Conventional pupils present on the count day
 - Population II – Conventional pupils absent on all or part of the count day
 - Population III – Non-conventional pupilsThis can be provided on the alpha list or on separate lists.
2. Determine sample size. A sample must be selected from each population based on the risk assessment at each building in which a field audit is performed.

| | Low Risk | Moderate Risk | High Risk |
|----------------|----------|---------------|-----------|
| Population I | 2% | 10% | 15% |
| Population II | 10% | 15% | 20% |
| Population III | 10% | 15% | 20% |

The building audit procedures allow for alternative sample sizes beginning with 60 if a building with a low-risk assessment has over 600 pupil records, or if a moderate- or high-risk assessment increases the minimum sample size to more than 60.

3. **Population I – Conventional Pupils Present on the Count Day**
Determine the total building Population I pupils (This should be on the building or program alpha list).
 - a. Select a sample from the alpha list on a headcount basis. The sample may target known risk areas.
 - b. Verify the residency status of the pupils as prescribed in the *Pupil Accounting Manual* (SRSD Fields 3, 4 and 13).
 - c. Verify that the pupil was in attendance and received instruction in all classes on the count day.
 - d. The SRSD Field 20 is the enrollment date. Verify that all pupils were enrolled on or before the count date.

Regulatory References for Residency

State School Aid Sections:

| | | | |
|------|------|------|-------|
| 3(6) | 6(4) | 6(6) | 6(15) |
| 105 | 111 | 118 | |

Revised School Code Sections:

| | | | |
|----------|----------|----------|----------|
| 380.1401 | 380.1406 | 380.1407 | 380.1408 |
| 380.1411 | 380.1415 | 380.1416 | |

Administrative Rules:

| | |
|-------|-------|
| 340.3 | 340.5 |
|-------|-------|

Attorney General Opinions:

| | | | |
|-----------------|------------------|------------------|-----------------|
| 5004, May 1976 | 5112, Dec. 1976 | 5574, Sept. 1979 | 5925, June 1981 |
| 5995, Oct. 1981 | 6316, Sept. 1985 | | |

Court Cases:

University Center, Inc., v. Ann Arbor Public Schools, 386 Mich. 210 (1971)
Feaster v. Portage Public Schools, 451 Mich. 352 (1996)

Other Regulatory References

State School Aid Act Sections:

| | | | |
|---------|---------|-----------|---------|
| 6(a) | 6(4)(1) | 6(4)(m) | 6(4)(o) |
| 6(4)(q) | 6(4)(r) | 6(7)(a) | 6(7)(b) |
| 101(4) | 101(5) | 101(7)(d) | |

Administrative Rules:

| | | | |
|--------|--------|--------|-------|
| 340.2 | 340.3 | 340.4 | 340.5 |
| 340.10 | 340.11 | 340.12 | |

4. Determine and evaluate the audit error rate according to Step 8 on page 17.
5. **Population II – Conventional Pupils Absent on All or Part of the Count Day**
Determine the total building Population II pupils (This should be on the building or program alpha list and on the count day absence list.).
 - a. Select a sample of these pupils on a head count basis. The sample may target known risk areas.
 - b. Verify the residency, enrollment status, and the accuracy of the FTE computation, using the same method as for Population I pupils.
 - c. For pupils absent from one or more classes on the count day, verify that either:
 - (1) The pupil had an authorized excused absence on the count day and attended all classes claimed for membership at least once within 30 calendar days after the count day, or
 - (2) The pupil had an unexcused absence on the count day, was enrolled and in attendance prior to the count day, and attended all classes claimed for membership at least once during one of the next 10 consecutive school days.

Practical note: Some auditors find it to be more efficient to select and test all pupils in a sample of the teacher attendance records rather than selecting individual pupils for testing. The sample size drawn should be based on risk (i.e., 10% for low-risk) and may target known risk areas. Auditors should attempt to draw a representative sample and should consider whether very small or large classes will bias the sample. The auditor should document the sample selection process. Auditors should compare all Population II pupils in the sample

teacher records to the Population II documentation provided for audit. This is a test of the accuracy of the district's Population II lists and a general finding should be written if a discrepancy is noted. The auditor should perform Steps b and c above for the Population II pupils and, in cases of noncompliance with the 10/30 day rule, expand that individual pupil record audit to class-by-class for return date verification. The auditor should count the Population II pupils in the teacher attendance books selected and document that a sufficient Population II sample was achieved (i.e., 10% for low-risk). Auditors using this optional method will find it efficient to test Population I pupils using the same teacher attendance records.

Regulatory References

Administrative Rule:
340.3

6. Determine and evaluate the audit error rate according to Step 8 on page 17.

7. Population III – Non-Conventional Pupils

Practical note: *If a building does not have non-conventional pupils, Step 7 is not applicable. Also, only those sections for which the building has the type of non-conventional pupils need to be completed. Generally, non-conventional pupils are required to meet all the requirements of conventional pupils plus additional requirements specific to the non-conventional pupil type in accordance with the Pupil Accounting Manual.*

Determine the total building Population III pupils (This should be on the building or program alpha list).

- a. Select a sample of these pupils on a head count basis in such a manner that each Population III pupil has an equal chance of being selected. If upon selection of the sample, there are non-conventional categories that have not been represented in the sample, supplement the sample by selecting at least one pupil from each of the unrepresented categories. The sample may target known risk areas.
- b. Verify the residency, enrollment, and attendance status and the accuracy of the FTE computation using the same method as for Population I and Population II pupils.
- c. Perform the following additional audit procedures for the non-conventional pupils selected:

1A. Alternative Education Program

1. Alternative Education Program – General

From the population of students attending the alternative education program (SRSD Fields 19 and 125):

- (a) Verify that the eligible general education pupil has not obtained a high school diploma or a GED certificate.
- (b) Verify that the eligible general education pupil is 16 years of age or older on September 1 of the current school year if adult education participants are enrolled in the program.

2. Pupil Expelled Under Section 1310, 1311 or 1311a
See Home-Based Section 1C below.
3. Learning Labs
From the population of a learning lab, review each sampled membership to:
 - (a) Verify that the sign-in and sign-out sheets, as well as the teacher's attendance records, documented the actual hours per week the pupil attended the learning lab and that the pupil attended the minimum number of hours scheduled
 - (b) Verify that the pupil did not generate more FTE per course than would be generated by a pupil in a traditional classroom setting.

Regulatory References

State School Aid Act:

388.1606(4)(u-v)

388.1606(6)(i)

388.1701(10)

Revised School Code:

380.310-1311a

1B. Cooperative Education Programs

1. Cooperative Education Program – General
From the population of pupils attending cooperative education programs counted for membership, review each sampled membership to:
 - (a) Verify that a written, voluntary agreement between or among the educating districts exists.
 - (b) Verify the educating district counts the pupil in membership unless the cooperative agreement specifies that each resident district is to count the resident pupils.
 - (c) During the audit of the educating school district, verify that the FTE associated with nonresident cooperative education pupils was correctly calculated and correctly included as part of the grade-by-grade schedule of the State Aid FTE count (DS-4061) unless claimed by the resident district.

Note: Pupils attending a cooperative education program operated by an ISD serving the general education pupils from several constituent districts must be counted in membership by the resident district.

2. Career and Technical Education (CTE) Program/Vocational Education Program
From the population of students attending the career and technical education program/vocational education program:
 - (a) Verify that the classes are taught or monitored by a certificated teacher.
 - (b) Verify that the pupil is enrolled and evaluated on learned skills and performance.
 - (c) Verify that these courses are part of the pupil's curriculum used toward earning a high school diploma.

Regulatory References:

State School Aid Sections:

3(3) 6(4)(a) and (u) 101(8)(d)

Revised School Code Section:

380.627

1C. Home Based

1. Expelled Under Local District Policy

From the population of pupils who are home based and expelled under local district policy, review each sampled membership to:

- (a) Verify that the district provides a minimum of two non-consecutive hours of instruction per week to the pupil under the supervision of a certificated teacher.
- (b) Verify that the membership claimed is prorated and limited to the actual hours of instruction.

2. Expelled Under Mandatory Expulsion Law (SRSD Field 120)

From the population of pupils who are home based and expelled under the mandatory expulsion law (Revised School Code 380.1311(2) or 380.1311a), review each sampled membership to:

- (a) If the pupil is in an in-school program, verify that the pupil was physically separated from the general population of the school district at all times during the school day and that the program provided 1,098 hours of instruction.
- (b) If the pupil is in a home-based program, verify that the district provided the pupil with two non-consecutive instructional hours per week under the supervision of a certificated teacher.
- (c) Verify that this is a mandatory expulsion.

A pupil who was expelled under the mandatory expulsion law and has been provided the services, as described in 2(a) and 2(b) above, may be counted for 1.0 FTE.

NOTE: The individualized program means the certificated teacher is with one pupil during the one-hour period at the pupil's home or a neutral site, but not at the school. Teaching more than one pupil at a time indicates that it is not an individualized program and the FTE must be prorated.

Regulatory References:

State School Aid Act Sections:

388.1606(4)(u)

Revised School Code Sections:

380.1311

380.1311a

1D. Homebound/Hospitalized

From the population of homebound/hospitalized pupils counted for membership, review each sampled membership to (SRSD Field 44 includes only Special Education homebound/hospitalized pupils):

- (a) Verify that the membership was supported by an attending physician's, hospital's, or licensed facility's certification.
- (b) Verify that the pupil received, from a certified teacher, the required instructional service during the count period.
- (c) Verify that the teacher(s) of record recorded the pupil as having an absence on the count day.

Regulatory References:

State School Aid Act:
Section 109

Administrative Rules:
340.5(1) 340.1746

Homebound and Hospitalized Services for Public School Pupils by Michigan Department of Education, October 1, 2002.

1E. Non-Public Part-Time Pupils and Home Schooled Pupils

From the population of non-public part-time and home-schooled pupils counted for membership, review each sampled membership (a complete list can be generated from SRSD Field 30) to verify that:

- (a) The course(s) being provided must also be offered at the public school to the regular public school pupils in the minor's grade level or age group as part of their minimum hours of instruction.
- (b) The course length and grading system must also be similar to that of the course offered to public school pupils.
- (c) Only non-essential elective courses for pupils in grades 1 through 12 may be provided. (Note that kindergarten is ineligible.)
- (d) The instruction must be scheduled to occur during the regular school day.
- (e) The instruction must be taking place within the boundaries of the public school district or a contiguous district under a cooperative agreement.
- (f) The instruction must be provided directly by an employee of the district or an ISD.
- (g) In addition, if the district is providing a certified teacher at the nonpublic site, verify that the nonpublic school has met the reporting requirements of the Nonpublic School Act, the nonpublic school is located within the boundaries of the public school district, or the nonpublic school is located in a contiguous district and there is a cooperative agreement with that contiguous district.
- (h) In addition, if the pupil is home schooled, verify that the pupil resides within the public school district.

Regulatory References:

State School Aid Act Sections:
6(4) 6(6) 166b

Administrative Rule:
340.6(b)

Revised School Code Section:
380.1561

The Non-Public School Act:

Public Act (PA) 302 of 1921

Court Cases:

Agostini v. Felton, _____ U.S. _____, 117 S.Ct. 1997, 138 L.Ed.2d 391 (1997)

Clonlara v. State Board of Education, 442 Mich. 230, 242 (1993)

Snyder v. Charlotte Public Schools, 421 Mich. 517, 365 NW2d 151 (1984)

School District of Traverse City v. Attorney General, 384 Mich. 390, 185 NW2d 9 (1971)

1F. Part-Time Pupils

From the population of part-time pupils counted for membership, review each sampled membership:

- (a) Verify that the number of instructional hours scheduled to be provided to the pupil is less than the minimum requirement.
- (b) Consider the risk that this is a nonpublic pupil. Why is the pupil less than full time? If there is a risk that this is a nonpublic or home-schooled pupil, review the pupil's enrollment record, transcript, and other records to determine if this is a bonafide public school pupil. Refer to Section 1E above and the Pupil Accounting Manual for information on nonpublic part-time and home-schooled pupils.
- (c) Verify the accuracy of the district's computation of the part-time pupil's FTE.

Regulatory References:

Administrative Rules:

340.6 and 340.7

1G. Postsecondary (Dual) Enrollment

From the population of postsecondary enrollment pupils counted for membership, review each sampled membership to:

- (a) Verify that the pupil was enrolled in both the local school district and the postsecondary institution during the district's regular academic year.
- (b) Verify that the pupil had not yet completed local graduation requirements.
- (c) Verify that the district paid the required tuition for the postsecondary course(s). Attendance records might not be maintained by postsecondary institutions. A pupil is considered in attendance on the count day if he/she is enrolled on the count day and the tuition is paid by the district. Fees must also be paid for pupils enrolled under the Postsecondary Enrollment Options Act.
- (d) Verify the appropriateness and accuracy of the district's full or partial FTE membership computation.

Regulatory References:

State School Aid Act Section:

21b

Administrative Rule

340.2(6)

Public Acts 159, 160, and 161 of 1996

Public Act 178 of 1997

1H. Reduced Schedule Pupils

From the population of reduced schedule pupils counted for membership, review each sampled membership to:

- (a) Verify that the pupil's reduced schedule request and approval form was signed and dated by the appropriate individuals.
- (b) Verify the local school district's determination that a reduced schedule was in the educational best interest of the pupil and is not for an ineligible reason.
- (c) Verify that the minimum hours of instruction was scheduled and provided to the reduced schedule pupil.

Regulatory References:

State School Aid Act Section:

101(8)(c)

Administrative Rule:

340.10(5)

1I. School of Choice (Sections 105 and 105c, ISD Schools of Choice and Former Sections 91 or 91a)

- (a) Obtain the district's procedures related to schools of choice.
- (b) Review the district's procedures to determine compliance with the State School Aid Act.
- (c) Evaluate the risk of noncompliance and perform audit tests on areas of risk.

Regulatory References:

State School Aid Act Section:

105, 105(c), 91(a)

1J. Special Education Early Childhood Programs and Services

Use the SRSD Field 9 to generate a list of pupils less than 5 years old on December 1. From the population of special education preschool pupils counted for membership, review each sampled membership to:

- (a) Visually verify that an IEP was on file and effective as of the count day (a sub-sample of high-risk pupils can be identified by reviewing the IEP dates in SRSD Field 38).
- (b) Verify that the pupil was enrolled as of the count day in a bona fide special education preschool program that had the minimum number of days and hours of instruction, as required by the special education rules.
- (c) Verify that the pupil received the specified number of instructional hours during the count period.
- (d) Verify the accuracy of the FTE calculation.

Regulatory References:

State School Aid Act Section:

6(4)(1)

Revised School Code Sections:

380.1711(1)(f) 380.1751(1)

Administrative Rules:

340.4(d) 340.7(9) 340.1754 340.1755 340.5(l)(j)

Eligibility of Pupils in Nonclassroom Services to Preprimary Age Children for State Membership Aid, Michigan Department of Education, Special Education Interpretation II-025, September 1991.

1K. Special Education Pupil Transition Services – Special Education Worksite-Based Learning Experiences

Verify that the following are in place:

- (a) The pupil was enrolled and assigned to a special education teacher.
- (b) The district has completed a written training plan prior to the count date which was signed by the pupil, parent, school, and worksite representative and included:
 - Expectations and standards of attainment
 - Job activities
 - Time and duration of the program
 - Wages paid to the pupil, if applicable
 - Related instruction, if applicable
- (c) The employer maintained verified records of the pupil's attendance.
- (d) The number of worksite hours allowed to be counted for membership did not exceed the maximum number of worksite hours allowed to be counted in membership, as determined by the district.
- (e) A special education staff member visited the pupil and the pupil's supervisor at the job site at least once every 30 calendar days as described above.
- (f) The accuracy of the FTE calculation

Regulatory References:

Administrative Rules:

340.1733(i)

Revised School Code:

380.1284

State School Aid Act:

388.1561a(7)(a)

Federal Regulation:

34 CFR 300.29

Michigan Department of Education Policies and Interpretations: *Utilization of Noncertified Personnel Elementary and Secondary* – November 1, 1988,
Employment of Special Education Pupils

1L. Special Education Pupil Transition Services – Work Activity Center Services

Verify that the following are in place:

- (a) Work Activity Center Services were specifically identified on the individualized education program (IEP)

- (b) The pupil was assigned to an approved special education teacher employed by the educating district during the time he or she was receiving Work Activity Center Services.
- (c) The Work Activity Center Services contractor, if any, has a wage deviation approved by the U.S. Department of Labor consistent with the regulations for implementing the Fair Labor Standards Act of 1938, as amended, and the Youth Employment Standards Act of 1978, as amended.
- (d) The pupil spent at least 51% of the combined hours (of vocational evaluation services, or work activity services, and instructional hours) in instruction under the direct supervision of a teacher.
- (e) The accuracy of the FTE calculation

Regulatory References:

Administrative Rules:

340.1733(h) and (i)

Revised School Code:

380.1284

State School Aid Act:

388.1561a(7)(a)

Federal Regulation:

34 CFR 300.29

Michigan Department of Education Policies and Interpretations: *Utilization of Noncertified Personnel Elementary and Secondary* – November 1, 1988,
Employment of Special Education Pupils

1M. Split Schedule Pupils

From the population of split schedule pupils counted for membership, review each membership to:

- (a) Verify the total number of instructional hours provided to the student.
- (b) Verify each building has appropriately claimed the FTE by dividing the number of hours in that building by the total hours calculated in #1 above or by the minimum required hours to generate 1.0 FTE if the hours in #1 above are less than the minimum.
- (c) Verify that the total FTE for the student (the sum of all buildings/programs) is no greater than 1.0 FTE.

Regulatory References:

Administrative Rule:

340.2(1)

1N. Suspended and Expelled Students Membership Eligibility

From the population of suspended and expelled students counted for membership, review each membership to:

For in-school suspensions:

- (a) Verify that the attendance book of the teacher of record shows the pupil absent from class due to suspension.

- (b) Verify that the pupil was supervised by a certificated staff member with attendance taken where the pupil was served or that the pupil returned to class within the count period.

For out-of-school suspensions:

- (c) Verify that attendance was taken where the pupil was served.
- (d) Verify that pupil instruction was provided by a certificated teacher.
- (e) Verify that membership was prorated based upon the minimum required hours of pupil instruction for grades 1-12.

For permanently expelled pupils:

- (f) See the home-based audit guidelines.

Regulatory References:

Revised School Code:

380.1309-1313

State School Aid Act:

388.1606(4)(a)

Public Acts:

PA 102, 103 and 104

10. Michigan Virtual High School and Distance Learning

From the population of Michigan virtual high school and distance learning students counted for membership, review each membership to:

- (a) Verify that the pupil was in high school (grades 9-12) or in a comparable age group and less than the age of 20 on September 1 of the current year.
- (b) Verify that the course is approved by the local school board and generated credit toward the pupil's diploma.
- (c) Verify that an on-site mentor was assigned to the pupil and the virtual course, and was available to the pupil for assistance and to monitor the pupil's progress. Verify that the site mentor and course appeared on the pupil's class schedule.
- (d) Verify the limit of two courses per semester per pupil and that the pupil was enrolled concurrently in and attending at least one course offered by the district in which credit was earned and regular attendance was required.
- (e) Verify each course counted as one class in the pupil's schedule and generated that portion of an FTE membership that a comparable course offered by the high school would generate.
- (f) Verify that the district paid the associated tuition charges for the course similar to the tuition requirement for dual enrollment as described in Section 21b of the State School Aid Act.
- (g) Verify that the pupil was enrolled and in attendance on the count day or during the 10/30 day period during the class time designated for the course on the pupil's schedule.
- (h) Verify that the pupil was enrolled in at least one non-virtual, non-distance course.

1P. Pupil Work-Based Education Program - Unpaid Training/In-School Placements

Verify the following:

- (a) The training did not exceed 45 hours per specific career experience.

- (b) Pupils under 14 did not work more than 1 hour per day.
- (c) Pupils were supervised by certificated staff.
- (d) A training plan specifies the responsibilities of the pupil, teacher, coordinator and school district.
- (e) The written training plan includes:
 - List of educational goals
 - Beginning and ending dates of placement
 - School and student learner responsibilities
 - Eligible hours to be trained (with beginning and ending times)
 - Related instruction correlates to the placement
 - List of activities that will contribute to the student learner's progress
 - Signatures of teacher/coordinator, student learner, and parent/guardian
- (f) Attendance records were kept.
- (g) The placement was for high school credit.

1Q. Pupil Work-Based Education Program – Unpaid Training/Work Experiences Related to General Education Internships

Verify the following:

- (a) The training did not exceed 45 hours per specific internship experience.
- (b) A written training agreement exists which specifies the responsibilities of the pupil, employer, parent(s), teacher coordinator, and school district.
- (c) The written training plan includes:
 - List of educational goals
 - Beginning and ending dates of placement
 - School and student learner responsibilities
 - Eligible hours to be trained (with beginning and ending times)
 - Related instruction correlates to the placement
 - List of activities that will contribute to the student learner's progress
 - Signatures of teacher/coordinator, student learner, and parent/guardian
- (d) The experience occurred during scheduled classroom time.
- (e) The pupil received safety instruction prior to the placement.
- (f) Attendance records were kept.

1R. Pupil Work-Based Education Program – Unpaid Training/Work Experiences Related to State-Approved Career and Technical Education Programs

Verify the following:

- (a) The training did not exceed 45 hours per specific career experience.
- (b) A training agreement exists which specifies the responsibilities of the pupil, employer, parent(s), vocationally certified teacher coordinator, and school district.
- (c) The training plan includes:
 - List of educational goals
 - Beginning and ending dates of placement
 - School and student learner responsibilities
 - Eligible hours to be trained (with beginning and ending times)
 - Related instruction correlates to the placement

- List of activities that will contribute to the student learner's progress
- Signature of vocationally certified teacher/coordinator, student learner, and parent/guardian
- (d) The pupil received safety instruction prior to the placement.
- (e) The experience occurred during scheduled classroom time.
- (f) Attendance records were kept.

1S. Pupil Work-Based Education Program – Unpaid Training/State-Approved Career and Technical Education Less-Than-Class-Size Programs (LTCS)

Verify the following:

- (a) The training did not exceed 45 hours per specific career experience.
- (b) The placement is for a minimum of 7,200 minutes or 14,400 minutes.
- (c) A written training agreement exists which specifies the responsibilities of the pupil, employer, parent(s), teacher coordinator, and school district.
- (d) The written training plan includes:
 - List of educational goals
 - Beginning and ending dates of placement
 - School and student learner responsibilities
 - Eligible hours to be trained (with beginning and ending times)
 - A detailed instructional plan which is comparable to state-recognized career and technical education curriculum
 - List of activities that will contribute to the student learner's progress
 - Signature of teacher/coordinator, student learner, and parent/guardian
- (e) The district has a contract with a business, industry, or private occupational school as an alternative method of providing career and technical education not readily available in a public education institution.
- (f) The LTCS contracted program does not have more than four (4) pupils per instruction, per instructional site in the same time period.
- (g) Instruction was provided by approved vocationally authorized personnel under the jurisdiction of the contractor.
- (h) Attendance records exist.

1T. Pupil Work-Based Education Program – General Education Student Learner Paid Work Experiences

Verify the following:

- (a) The employment did not exceed the maximum hours set by the district.
- (b) The student learner's work experience was monitored by a designated school certificated teacher/coordinator.
- (c) The written training agreement was on file at the employer's worksite prior to the pupil beginning work and contained the following information:
 - Student learner's personal information: employee's name, home address, telephone, birth date, emergency contact information, etc.
 - School's name, address, telephone, contact person
 - Employer's name, address, telephone, contact person
 - Beginning and ending dates of the agreement

- Verification that the employer provides proof of workers' disability compensation and general liability. NOTE: To verify workers' disability compensation coverage, call the Bureau of Workers' Disability and Compensation at (517) 322-1885.
 - Daily hours to be worked – allow for earliest and latest legal hours to be worked to accommodate variances in pupil work schedules. Hours not listed are not covered by the agreement.
 - Beginning rate of pay
 - List of job activities that will contribute to the student learner's progress toward a career objective
 - Signatures of coordinator, student learner, parent, related instruction teacher, and training station supervisor (employer)
- (d) A written training plan was in place on the pupil membership count day and included the following:
- List of educational goals
 - List of job activities that will contribute to the student learner's progress
 - List of employer, school, and student learner responsibilities
 - The beginning and ending dates of agreement
 - The eligible hours to be worked (with beginning and ending times)
 - A list of related subjects that correlate to this placement
 - Signatures of teacher/coordinator, student learner, parent/guardian, and supervisor
- (e) The pupil is currently enrolled in a related educational course, with academic objectives, that correlated to the work-based learning placement.
- (f) The employer or coordinator maintained and verified records of the pupil's attendance. Pupil met the attendance requirements.
- (g) A regular visitation plan was developed and implemented.
- (h) The pupil is granted high school credit toward graduation for time spent in the work-based learning program.

1U. Pupil Work-Based Education Program – State-Approved Career and Technical Education Student Learner Paid Capstone Experiences (formerly referred to as Career and Technical Education Cooperative Education)

In addition to all of the requirements contained under "General Education Student Learner Paid Work Experiences" listed above, verify the following additional requirements were met:

- (a) Evidence that the pupil attended at least one 40- to 60-minute session per week either in the related State-Approved Career and Technical Education classroom or in a district-approved educational course, with academic objectives, related to the pupil's career and educational goals.
- (b) Evidence that a vocationally certified teacher/coordinator has monitored the pupil's work.
- (c) The pupil was employed not less than an average of 15 hours per week during the effective time of the training agreement.
- (d) Attendance records exist.

***Practical Note:** These records may be maintained at the career center, ISD, or fiscal agency.*

1V. Pupil Work-Based Education Program – Special Education Worksite Based Learning Experiences

Verify the following:

- (a) A written agreement (training plan) exists and was signed by the pupil, parent, school, and worksite representative. The agreement set forth all of the following information:
 - Expectations and standards of attainment
 - Job activities
 - Time and duration of the program
 - Wages paid to the pupil, if applicable*
 - Related instruction, if applicable
- *If a pupil is not receiving wages, the federal criteria for an “unpaid trainee” must be followed.
- (b) A designated certificated special education staff member visited the pupil’s worksite at least once every 30 calendar days for the duration of the program to check attendance, and pupil progress, and assess the placement in terms of health, safety, and welfare of the pupil.
- (c) Attendance records exist.

For a special education pupil receiving worksite based learning experiences under R340.1733(i) to be counted in special education membership, verify the following :

- (d) Pupil was enrolled and assigned to a special education teacher.
- (e) The district completed a written training plan prior to the count date as described above.
- (f) The employer maintained verified records of the pupil’s attendance.
- (g) The number of worksite hours counted for membership did not exceed the maximum number of worksite hours allowed to be counted for membership, as determined by the district.
- (h) A staff member visited the pupil and the pupil’s supervisor at the job site at least once every 30 calendar days as described above.

1W. Pupil Work-Based Education Program – Registered Apprentice (Paid Registered Apprentice With Training Plan)

Verify the following:

- (a) A training agreement with the employer exists.
- (b) The training plan includes:
 - The length of employment (beginning and ending dates)
 - Detail of specific skills or tasks to be learned by the employee
 - The employer’s responsibilities
- (c) A certificated teacher, or certificated staff member monitored the pupil’s attendance and on-the-job progress to evaluate the site in terms of health, safety, and welfare of the pupil. A regular visitation plan, calling for at least one visit per grading period, after first visiting the employer to establish the training station, must be developed with each employer.

- (d) The pupil attended at least one 40- to 60-minute session per week either in the related State-Approved Career and Technical Education classroom or in a district-approved educational course, with academic objectives, related to the pupil's career and educational goals. Appropriate documentation must be on file by the student count date(s).
- (e) Attendance records exist.

Regulatory References:

Michigan Revised Administrative Rules for Special Education, Rule R340.1733(i) and Rule 340.5(1)(c).

U.S. Department of Labor Fair Labor Standards Act, Youth Employment Standards Act

Cooperative Education Guidelines for State-Approved Career and Technical Education Programs, Michigan Department of Career Development, dated June 9, 2003.

8. Using the Sample Summary and Analysis (see Attachment G), determine and evaluate the audit error rate according to the following.

Errors are accumulated on a headcount basis regardless of the FTE impact. For example, an error of an understatement of .5 FTE and an error of an overstatement of .5 FTE are summarized as 2 errors, although the cumulative FTE error is zero. The error rate is calculated by dividing the cumulative total number of pupil records in error by the cumulative total number of sample items reviewed.

If the initial sample was less than 60 and the error rate is 5% or greater, the auditor IS REQUIRED to expand the sample in increments to 40% and then 75% of the population. If the sample error rate is also 5% or greater at the 40% increment, and again at the 75% increment, the auditor IS REQUIRED to expand to a 100% review of the population.

If the initial sample selected was 60, the auditor may stop if there was one or fewer errors. If there are 2 or more errors, the auditor IS REQUIRED to expand the sample in increments to 90, 180, and then 360 records as necessary. If 90 pupil records are reviewed and there are 3 or more errors, the auditor IS REQUIRED to expand the sample to 180 items. If 180 pupil records are reviewed and there are 7 or more errors, the auditor IS REQUIRED to expand the sample to 360 items. If 360 pupil records are reviewed and there are 14 or more errors, the auditor IS REQUIRED to expand to a 100% review of the population.

Practical note: *If the underlying errors are isolated, professional judgment allows the auditor to focus the expansion of the sample on the subpopulation with the isolated error. The auditor is encouraged to request that the district identify and correct the isolated errors before expanding the sample.*

9. Determine and document the audit error rate for the entire building/program. This will be calculated by dividing the total number (on a headcount basis) of errors noted in Populations

I, II, and III by the total number (on a headcount basis) of sample items reviewed in Populations I, II, and III.

- a. If the building/program error rate is determined to equal or exceed 5% but is still less than 10%, it is the auditor's judgment as to whether audit testing should be expanded to audit other like buildings in the district or audit the same building again for the next pupil membership count.
- b. If the building/program error rate is determined to equal or exceed 10%, the auditor IS REQUIRED to audit at least one other like building in the district or, if no other like buildings exist in the district, the auditor should audit the same building again for the next pupil membership count.

In all cases when an auditor has determined that the building/program error rate is equal to or exceeds 10%, the auditor IS REQUIRED to contact the Office of Audits of the Michigan Department of Education.

10. Conduct an exit conference with appropriate local district personnel. The following should be discussed:
 - a. Areas where the local school district can improve its documentation or counting procedures to maximize and accurately report FTE memberships (general findings).
 - b. Specific findings detected, along with the associated FTE adjustment that is needed.
 - c. District appeal procedures.
11. Draft a narrative report on the general and specific findings noted during the audit, and final FTE adjustments. Record variances noted in building audits on the FTE Adjustment Forms.
12. Update the list of items that need to be available to streamline future audits and compile a list of suggestions for improving future audits.

SECTION 5 – CONDENSED BUILDING AUDIT PROGRAM

District: _____

Building: _____ Count Day: _____

This audit program is intended to be used in reference with the Building Field Audit Procedures, Section 4. The objective of the field audit is to determine that the FTEs have been properly documented and claimed for state school aid.

| BUILDING-WIDE PROCEDURES | Number of Errors | Performed By |
|--|-------------------------|---------------------|
| 1. Determine that the building adheres to district count procedures as identified on the local district planning form, and obtain the appropriate documentation. | | |
| 2. Assess risk for the building according to Section 1 and 3. | | |
| 3. Determine that the district has a procedure to determine 75% attendance and that the district accurately implemented the procedure. | | |

| PUPIL SPECIFIC AUDIT PROCEDURES | No. of Errors | Performed by |
|---|----------------------|---------------------|
| <i>ALL PUPILS</i> | | |
| Residency (N/A for PSAs) | | |
| Birth date | | |
| Presence on count date | | |
| 10/30-day rule | | |
| Enrollment | | |
| FTE computations | | |
| <i>ALTERNATIVE EDUCATION PROGRAM</i> | | |
| General | | |
| <ul style="list-style-type: none"> No high school diploma or GED | | |
| <ul style="list-style-type: none"> 16 years old if with adult participants | | |
| Learning Labs | | |
| <ul style="list-style-type: none"> Sign-in sheets and teacher attendance records support minimum hours | | |
| <ul style="list-style-type: none"> No greater FTE than traditional setting | | |
| <i>COOPERATIVE EDUCATION PROGRAM</i> | | |
| Written voluntary agreement | | |
| FTE computation (may consider travel time) | | |
| <i>HOME BASED</i> | | |
| Expelled under local district policy | | |
| <ul style="list-style-type: none"> Two non-consecutive hours of instruction | | |
| <ul style="list-style-type: none"> FTE prorated to actual hours | | |
| Expelled under mandatory expulsion law | | |

| PUPIL SPECIFIC AUDIT PROCEDURES | No. of Errors | Performed by |
|---|----------------------|---------------------|
| <ul style="list-style-type: none"> In school, pupils physically separated and receive 1098 hours | | |
| <ul style="list-style-type: none"> If home-based, pupil received two non-consecutive hours | | |
| <ul style="list-style-type: none"> FTE calculation | | |
| HOMEBOUND HOSPITALIZED | | |
| Physician certification | | |
| Instructional hours provided | | |
| Absent on count day | | |
| NON-PUBLIC PART-TIME & HOME SCHOOLED | | |
| Grades 1-12 | | |
| Nonessential elective courses | | |
| Nonpublic records and courses same as regular public district courses | | |
| Nonpublic graded like public | | |
| FTE computation | | |
| PART-TIME PUPILS | | |
| Fewer than minimum required hours are scheduled | | |
| <ul style="list-style-type: none"> Is this a non-public or home-schooled pupil? | | |
| FTE calculation | | |
| POSTSECONDARY ENROLLMENT | | |
| Enrolled in both district and postsecondary classes | | |
| Pupil not met graduation requirements | | |
| District paid tuition and fees | | |
| FTE calculation | | |
| REDUCED SCHEDULE | | |
| Approvals – signed and dated | | |
| Educational best interest | | |
| FTE computation | | |
| SCHOOLS OF CHOICE (Sections 105 and 105e, ISD School of Choice and Former Sections 91 or 91a) | | |
| Obtain and review procedure | | |
| Evaluate procedure for risk | | |
| Test high-risk areas | | |
| SPECIAL EDUCATION EARLY CHILDHOOD PROGRAMS | | |
| Count date IEP | | |
| Pupil enrolled in bona fide program | | |
| Pupil received minimum hours of instruction | | |
| FTE calculation | | |
| SPECIAL EDUCATION PUPIL TRANSITION SERVICES – WORKSITE-BASED LEARNING | | |

| PUPIL SPECIFIC AUDIT PROCEDURES | No. of Errors | Performed by |
|---|----------------------|---------------------|
| <i>EXPERIENCES</i> | | |
| • Enrolled/assigned to special education staff | | |
| • Training plan | | |
| • Attendance records | | |
| • Hours didn't exceed maximum | | |
| • Staff visited every 30 days | | |
| • FTE calculation | | |
| <i>SPECIAL EDUCATION PUPIL TRANSITION SERVICES – WORK ACTIVITY CENTER SERVICES</i> | | |
| • Services identified on IEP | | |
| • Assigned to special education staff | | |
| • Wage deviation | | |
| • FTE calculation | | |
| <i>SPLIT SCHEDULE</i> | | |
| Verify instructional hours | | |
| Verify split of FTE, limited to 1.0 FTE | | |
| <i>SUSPENDED AND EXPELLED STUDENTS</i> | | |
| In-school suspensions | | |
| • Absent per teacher's record | | |
| • Supervised by certified teacher | | |
| Out-of-school suspensions | | |
| • Attendance where pupil served | | |
| • Certified teacher | | |
| • FTE prorated | | |
| <i>VIRTUAL HIGH SCHOOL & DISTANCE LEARNING</i> | | |
| Grades 9-12, under 20 | | |
| Course approved for credit | | |
| On-site mentor | | |
| Limit two courses | | |
| Comparable hours and FTE | | |
| Tuition paid | | |
| Present once during count period | | |
| Has one non-distance course | | |
| <i>WORK-BASED EDUCATION</i> | | |
| Unpaid training/in-school placements | | |
| • Training does not exceed 45 hours | | |
| • Under 14 worked less than 1 hour | | |
| • Supervised by certificated staff | | |
| • Training plan | | |
| • Attendance records | | |
| • High school credit | | |

| PUPIL SPECIFIC AUDIT PROCEDURES | No. of Errors | Performed by |
|--|----------------------|---------------------|
| Unpaid training/work experiences related to general education internships | | |
| • Training does not exceed 45 hours | | |
| • Training agreement | | |
| • Training plan | | |
| • Experience during classroom time | | |
| • Safety instruction given | | |
| • Attendance records | | |
| Unpaid training/work experiences related to state-approved career and technical education programs | | |
| • Training does not exceed 45 hours | | |
| • Training agreement | | |
| • Training plan | | |
| • Safety instruction given | | |
| • During scheduled class time | | |
| • Attendance records | | |
| Unpaid training/state-approved career and technical education less-than-class-size programs | | |
| • Training does not exceed 45 hours | | |
| • Minimum of 7,200 or 14,400 minutes | | |
| • Training agreement | | |
| • Training plan | | |
| • Contract exists | | |
| • Vocationally authorized personnel | | |
| • No more than 4 pupils at a time | | |
| • Attendance records | | |
| General education student learner paid work experiences | | |
| • Hours within district maximum | | |
| • Monitored and visited by certified staff | | |
| • Training agreement | | |
| • Training plan | | |
| • Related instruction | | |
| • Attendance records | | |
| • High school credits | | |
| State-approved career and technical education student learner paid capstone experiences | | |
| • Meets all general education requirements above | | |
| • 40-60 minute specific related instruction | | |
| • Monitored by vocationally certified staff | | |
| • Employed at least 15 hours per week | | |

| PUPIL SPECIFIC AUDIT PROCEDURES | No. of Errors | Performed by |
|--|----------------------|---------------------|
| • Attendance records | | |
| Special education worksite based learning experiences | | |
| • Training agreement/plan | | |
| • Monitored by certified special education staff every 30 days | | |
| • Attendance records | | |
| Special education under R340.1733(i) | | |
| • Pupil assigned to special education teacher | | |
| • Training plan | | |
| • Attendance records | | |
| • Worksite hours within district policy | | |
| • Monitored by certified special education staff every 30 days | | |
| Registered apprentice | | |
| • Training agreement | | |
| • Training plan | | |
| • Monitored by certified staff | | |
| • Related instruction | | |
| • Attendance records | | |

ADJUSTMENTS: Any changes to membership claims made to this building/program due to this audit are itemized on the FTE Adjustment Form.

CONCLUSION:

I(We) have performed procedures sufficient to achieve the audit objectives identified on this program and have adequately documented the audit procedures performed.

Name _____ Date _____

Name _____ Date _____

Name _____ Date _____

SECTION 6 – AUDIT REPORTS, REPAYMENTS, AND APPEALS

Audit Report

- A. An ISD or CPA pupil membership audit narrative report must be submitted to the audited district's superintendent and the MDE Office of Audits. The final audit narrative report is a public record and is available to any interested party. An audit narrative format is provided as an appendix as well as instructions for an automated audit narrative. A copy of the DS-4061 and DS-4120 can be found at <http://meis.cepi.state.mi.us/srsd>. Click on FTE Reports.
- B. The final narrative ISD audit report shall:
 - 1. Include a description of the scope and objectives of the audit. This should include a description of the buildings or programs audited; whether a desk audit or field audit was performed; the dates of the audit work; the percent of FTE audited in each building or program; and the number of staff hours spent on the audit by name and title.
 - 2. Include a statement verifying that the audit was made in accordance with the *Pupil Auditing Manual* for the purpose of ensuring compliance with the *Pupil Accounting Manual*.
 - 3. Present factual data objectively, accurately, fairly, and completely including only information, findings, and conclusions that are adequately supported by sufficient evidence in the auditor's working papers. The report may also contain the district's written response.
 - 4. Present findings, recommendations, and legal references. Fully developed audit findings should include a description of the specific condition noted; the cause (if appropriate); the legal requirement that was violated, including the specific reference; the effect (amount of FTE adjustment) and a recommendation.
 - 5. Contain the specifics of FTE changes such as student name, course, and the reason for questioning the membership. This shall be reconciled and tied into the DS-4120 in the audit report. A copy of the DS-4120 shall be included in the audit report.
 - 6. Be written in language as clear and simple as the subject matter permits and that is concise and thorough.
- C. State aid adjustments will be made based on ISD audits prior to any appeals. Section 15(2) of the State School Aid Act states that if the result of an audit conducted by or for the superintendent affects the current fiscal year membership, affected payments shall be adjusted in the current fiscal year.

ISD Audit Appeal Process

The appeal of an ISD audit is a two-step process. The district may first appeal the ISD audit to the Director of the Office of Audits. The district may then appeal the director's decision to the Superintendent of Public Instruction; that appeal will be assigned to the Office of Administrative Law that will act on behalf of the superintendent.

- 1. Appeals to the Director of the Office of Audits
 - (a) District appeals of the ISD's audit findings must be made to the Director of the Office of Audits within 30 days of receiving the ISD's audit report. The appeals must include a description of the memberships appealed along with rationale and legal

- references supporting the district's position. A copy of the appeal should be forwarded to the ISD auditor.
- (b) If appropriate, the Director of the Office of Audits will direct further investigation and request additional information.
 - (c) If necessary, the Director of the Office of Audits will meet with school district officials and the ISD auditor to discuss the audit findings.
 - (d) The Director of the Office of Audits will make a determination either affirming the audit findings or restoring all or part of the appealed memberships.
 - (e) The Director of the Office of Audits will notify the district in writing of the determination and that the district has 30 days (from receipt of the decision) to appeal the determination to the Superintendent of Public Instruction.
2. Appeals to the Superintendent of Public Instruction
- (a) A school district can appeal the decision of the Director of the Office of Audits to the Superintendent of Public Instruction within 30 days of receiving the decision of the Director of the Office of Audits. The appeal must include a description of the memberships appealed along with rationale and legal references supporting the district's position.
 - (b) Appeals will be assigned to a hearing officer in the Office of Administrative Law. The district will be offered an appeal conference. Staff involved will include the superintendent designee; hearing officer; affected program directors; an Attorney General representative if the school district is represented by legal counsel; the Director of the Office of Audits; and the ISD auditor. The Office of Audits will be represented as a party and the representative will explain the audit findings but will not participate in the decision process.
 - (c) Based on the appeal file, the appeal conference, and the instructions of the superintendent's designee, the hearing officer will draft a decision for consideration by the Superintendent of Public Instruction either affirming the audit findings or restoring all or part of the appealed memberships.
 - (d) The district will receive the decision signed by the Superintendent of Public Instruction and the appropriate accounting adjustments will be made.

SECTION 7 – 75% ATTENDANCE AND HOURS OF INSTRUCTION

The DS-4168 review is to be completed for the prior year and is commonly completed in August.

- A. Verify that the local school district has building level procedures to verify that at least 75% of the pupils scheduled for instruction were in attendance on scheduled days counted. Test the procedure for the most recently completed school year. Contact the Office of State Aid and School Finance with exceptions.
- B. Verify that the building's documentation of the hours of instruction actually provided to each pupil for the most recently completed year adequately supports the hours of instruction reported to the Department on the DS-4168.

If the ISD auditor concludes that the local school district's documentation did not adequately support the days and hours of instruction reported on the DS-4168, the ISD auditor should report the results of his/her review to the Office of State Aid and School Finance of the Michigan Department of Education.

STATEMENT OF INDEPENDENCE

| | | |
|---|----------------------|-----------------|
| Auditor Name | | |
| I certify that with all local district, I have: | Check if Independent | List Exceptions |
| • Not been previously employed (within two years) | | |
| • No relatives currently employed | | |
| • No personal or financial interest | | |
| Explain exceptions and their resolutions: | | |
| I ATTEST THAT THE ABOVE INFORMATION IS FACTUAL: | | |
| Auditor's Signature: | Date: | |
| IN THE CASE OF EXCEPTIONS, I AGREE WITH THE ABOVE RESOLUTION: | | |
| Auditor's Supervisor's Signature: | Date: | |

LOCAL DISTRICT PLANNING FORM

Program: _____

This form should be completed or UPDATED for each membership count. It should be prepared by program staff and forwarded to the auditor for use in planning the remainder of the field audit.

1. Identify the key program personnel involved in the participant membership count, including the individual whom the auditor should contact to make arrangements for the fieldwork.

| NAME | TITLE | LOCATION | PHONE | YEARS IN POSITION |
|------|-------|----------|-------|-------------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

2. For each building/program at which the district provides instruction, complete:

| BUILDING/PROGRAM | LOCATION | GRADE LEVELS/ CLASS OF PUPILS | APPROXIMATE NUMBER OF PUPILS |
|------------------|----------|----------------------------------|---------------------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

(Attach additional schedules if necessary)

3. One major purpose of the planning form is to provide the auditors with information about any significant changes that would affect completion of the audit. Following is a checklist of common items. Please indicate if there have been any significant changes and attach documentation as applicable.

- _____ Written procedures for ensuring a complete and accurate participant count
- _____ Program locations or types of program categories
- _____ Systems (automated/manual) for maintaining enrollment and attendance records
- _____ Continuity in key participant membership count positions
- _____ Participation in consortiums with other local programs
- _____ Record retention procedures and practices (minimum of three year retention)
- _____ Procedures to ensure that administrative personnel document in writing their review of the completed program alpha lists, including a representation that all program documentation is on file in accordance with state laws

_____ Training of new staff without experience in membership accounting rules and procedures

Completed by:

Name: _____

Title: _____

Count Date: _____