

EXECUTIVE DIGEST

SCHOOL AID FUND

INTRODUCTION

This report contains the results of our financial audit* of the School Aid Fund, Department of Education, for the period October 1, 1997 through September 30, 2000.

AUDIT PURPOSE

This financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Financial audits are conducted at various intervals to provide for enhanced financial reporting of significant State programs and/or activities and to complement the annual audit of the State's financial statements. Also, this audit complements the departmentwide financial audit.

BACKGROUND

The School Aid Fund is provided for by the State Constitution to furnish aid to school districts*. Principal financing sources are various tax revenues and annual transfers from the State's General Fund and the State Lottery Fund.

Payments to school districts are based on statutory formulas (the State School Aid Act of 1979*, being Sections 388.1601 - 388.1772 of the *Michigan Compiled Laws*). Annual expenditures of the School Aid Fund were approximately \$10.1 billion, \$9.6 billion, and \$9.4 billion for

fiscal years 1999-2000, 1998-99, and 1997-98, respectively. The Department provides administrative support for the School Aid Fund, but administrative costs are not appropriated for in the School Aid Fund.

The State Aid Unit* (SAU), Office of State Aid and School Finance, is primarily responsible for administering provisions of the State School Aid Act of 1979. SAU receives and reviews membership and taxable valuation data from school districts and from county treasurers. In addition, SAU, in conjunction with the Office of Data and Technology Services, maintains the State Aid Management System* (SAMS). As of September 30, 2000, SAU had 5 full-time employees.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To assess and report on the School Aid Fund's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the financial statements, and on its internal control* over financial reporting, based on our audit of the financial statements.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial statements. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses*.

Audit Objective: To audit the School Aid Fund's financial statements as of and for the fiscal years ended September 30, 2000, September 30, 1999, and September 30, 1998.

Conclusion: We expressed an unqualified opinion* on the School Aid Fund's financial statements.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the School Aid Fund for the period October 1, 1997 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

PRIOR AUDIT FOLLOW-UP

The Department complied with the one prior audit recommendation included within the scope of this audit.