



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



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SUPERINTENDENT OF
PUBLIC INSTRUCTION

September 7, 2010

Doug Rigling
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, MI 48913

Dear Mr. Rigling:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plan to address recommendations contained within the Office of the Auditor General's Financial Audit.

At Tim Kuhn's request, I am assuring you that I asked all program managers for updates to the Corrective Action Plan. They responded that there are no changes except to the person responsible for finding 7a.

Questions regarding the summary table or corrective action plans should be directed to me at 5-6858.

Sincerely,

Signature Redacted

Kathy Weller, CPA
Director, Office of Audits

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Michigan Department of Education
Financial Audit
Summary of Agency Responses to Recommendations
October 1, 2007 – September 30, 2009

1. Audit recommendations the agency complied with:

3131003
3131005
3131006
3131009
3131011
3131014
3131017

2. Audit recommendations the agency agrees with and will comply:

3131001
3131002
3131004
3131007
3131008
3131010
3131012
3131013
3131015
3131016

3. Audit recommendations the agency disagrees with:
3131016 a (2) & b

MICHIGAN DEPARTMENT OF EDUCATION

Corrective Action Plan

As of September 7, 2010

FINDINGS RELATED TO THE FINANCIAL SCHEDULES AND FINANCIAL STATEMENTS

Finding Number: 3131001

Finding Title: Security and Application Controls

Management Views:

MDE disagrees that this is a material weakness.

a. The development contractor for the Child Nutrition Application Program (CNAP) has read-only access to the application which is an approved level. The project manager should also have read-only access to CNAP; however, when required, and upon Michigan Department of Education (MDE) manager approval, the CNAP project manager may be granted Super-User access. This access is intended as short term to perform specific tasks. During the time of the audit, the project manager did have super-user access. This was an oversight by MDE staff and was corrected upon notification. This has been corrected. MDE will develop access control policies and procedures to ensure that access is properly monitored (see response to finding c.)

b. MDE and the Department of Technology, Management and Budget (DTMB) acknowledge this finding and have worked together to improve the change management processes.

c. MDE agrees that there was no access monitoring policy for MDE applications or data.

Corrective Action:

a. Access to Food Nutrition System Fiscal Reporting System (FNS-FRS) was reviewed and changed after the initial audit findings were released. MDE will regularly monitor access to systems. Another system is currently being rewritten and the new system will be setup such that system developers will have no ability to make any unauthorized changes to the data.

- b. The DTMB application manager has reviewed change management procedures for all affected systems. Recommended changes to the approval process and change request workflows have been made to each of the individual procedures. Final approval was made by MDE project managers, MDE business owners, and the MDE security manager.
- c. MDE will have an access monitoring policy for the following Information Technology applications completed by September 30, 2010. The policy will include general provisions as well as application specific details on identifying and monitoring high risk transactions.

Cash Management System (CMS)
 Child Nutrition Application Program (CNAP)
 Food Nutrition System Fiscal Reporting System (FNS-FRS)
 Michigan Electronic Grants System (MEGS)
 School Aid Management System (SAMS)

Anticipated Completion Date:

- a. 12/31/2010
- b. 9/30/2010
- c. 9/30/2010

Responsible Individuals: Louis Burgess, Dan Hanrahan and Craig Thurman

Finding Number: 3131002

Finding Title: Monitoring of Internal Control Over Financial Reporting

Management Views: MDE agrees with the underlying intent of the recommendation. MDE has documented its oversight and review control system. MDE uses internal controls, including management reviews, to ensure the accuracy of its transactions. MDE is unable to do more with current resources. Although MDE believes that its current oversight process is adequate, it will consider adding additional oversight and monitoring if additional resources become available. Also, MDE will work with its internal auditors to help ensure the integrity of MDE's internal control systems.

The Office of Audits has historically focused its resources on the areas of highest risk. The first and second risk priorities are to provide adequate oversight of the \$1.6 - \$2.1 billion of federal assistance and \$11.7 billion of State school aid. The first priority is processing subrecipient financial and single audits. The second priority is establishing pupil auditing standards, training and doing quality control reviews of intermediate school district pupil audits.

Corrective Action: If additional resources become available, the Department will more fully monitor the effectiveness of its internal control over financial reporting.

Anticipated Completion Date: Ongoing.

Responsible Individual: Kathleen Weller

Finding Number: 3131003

Finding Title: Accounting Controls

Management Views: The Department agrees.

Corrective Action: Management will more closely review accruals in the future.

Anticipated Completion Date: Immediate.

Responsible Individual: Dan Hanrahan

FINDINGS RELATED TO FEDERAL AWARDS

Finding Number: 3131004

Finding Title: Commodity Food Distribution Program, *CFDA* 10.550

Management Views:

- a. Each consortium is required to maintain records for a period of three (3) years after the end of the fiscal year to which they pertain, or until final resolution of outstanding audits or claims per the Memorandum of Understanding with the Michigan Department of Education (MDE).
- b. MDE agrees.
- c. MDE agrees.
- d. MDE agrees

Corrective Action:

- a. Language will be added to future MOUs regarding the monitoring and review of records being maintained by each consortium.

As of July 1, 2010, more comprehensive monitoring duties will be added to the position description prior to filling that position in order for MDE to fulfill its monitoring requirements.

- b. MDE will inform all processors of the requirement for submitting written justification for inventories in excess of six months. Processors will be notified of this requirement in the National Processing Agreement (NPA)/State Participation Agreement (SPA) between the MDE and the processor.
- c. MDE's procedure for conducting semi-annual sales verification was revised and implemented in January 2010. The following are some of the highlights of the process:
 - Sales Verification Report will be reviewed for each processor conducting sales verification for NOI processed products. Ten percent of the processor's required sample size will be verified by the MDE. Schools will be notified by e-mail to verify the Pass Through Value (PTV) of each sale made during the previous six months.
- d. To ensure that sales verification is completed by the processor and MDE, documentation will be maintained and reviewed regularly.

- Anticipated Completion Date:**
- a. October 1, 2010
 - b. Completed
 - c. Completed
 - d. Completed

Responsible Individual: Mary Ann Chartrand

Finding Number: 3131005

Finding Title: Child and Adult Care Food Program, *CFDA 10.558*

Management Views:

- a. USDA is okay with MDE's process. MDE's statement on the memo reads: "The two applications [CACFP and Milk] will be cross referenced and each site participating in both programs will be contacted to ensure the same children are not participating in both programs." To cross check will mean that applicants in both programs will have sites matched. This doesn't occur too often. For those in both programs, staff will make a program contact to verify how the

program works and will assure that the same child is not counted twice. Although there was a potential for double counting, this double counting happened in only ONE district in all of MDE's programs.

The questioned costs in the amount of \$16,228 in the Child and Adult Care Food Program (CACFP) should not be considered questioned costs. The over-claim was for the Special Milk Program (SMP) (CFDA #10.556) reimbursement in the amount of \$7,763, not CACFP. That balance is in the process of being fully recovered from the school that participated in both CACFP and SMP. The district in question receives approximately \$200,000 per month in reimbursements. The order to reclaim \$13,348.30 from the next claim has been placed. The date for the district to appeal this order has passed. Thus, the \$7,763 plus the additional amount going back from FY 07 through the current claim was recovered in March 2010.

Corrective Action:

- b. MDE agrees with this finding and will improve its internal control to ensure that the Child and Adult Care Food Programs comply with federal laws and regulations regarding reporting. MDE accidentally reported revenue instead on expenditures on the line.
- a. To ensure that sites do not receive reimbursement for the same children for both programs, a question will be added to each site page in the Child Nutrition Application Program (CNAP) for both CACFP and SMP. The two applications will be cross referenced and each site participating in both programs will be contacted to ensure the same children are not participating in both programs.
- b. In the future MDE will apply appropriate internal controls to detect such an error.

Anticipated Completion Date: Immediate

Responsible Individuals: Mary Ann Chartrand

Finding Number: 3131006

Finding Title: Reporting and Monitoring ARRA Grants, *CFDA* 10.568, 84.389, 84.391, 84.392, 84.393

Management Views: a. MDE acknowledges that offices responsible for ARRA grant awards did not check to ensure that sub-recipients were registered with the Central Contractor Registry (CCR) prior to making ARRA grant approvals.

Corrective Action: b. MDE agrees with this finding.
a. MDE has been working with all sub-recipients since June 2009 to ensure that they have DUNS numbers and that they properly maintain current registrations in the Central Contractor Registry. MDE is using the Section 1512 report to verify that all sub-recipients maintain current registration. All sub-recipients have been successfully validated as having DUNS numbers properly registered in the CCR. MDE will ensure that all future ARRA recipients are registered in the CCR prior to processing any awards.
b. MDE has improved its internal controls to ensure its compliance with Federal Laws and regulations regarding federal identifying information for the reporting and subrecipient monitoring of program awards involving commodities.

Anticipated Completion Date: Completed

Responsible Individual: Louis Burgess

Finding Number: 3131007

Finding Title: Title I Grants to Local Educational Agencies, *CFDA* 84.010

Management Views: a. (1) As previously described in response to the performance audit, MDE agrees with this finding. MDE has established more appropriate and detailed internal controls to verify that the appropriate grants are being charged. This program is now being managed by the Office of Education Improvement and Innovation (OEII).

(2) As previously described in response to the performance audit, MDE agrees with the underlying intent of the recommendation. MDE will ensure that contracts are appropriately bid competitively, as required. MDE has recently used this bid process for at least one two new grants (OFS Region 3 and

Regional Collaboration Grant).

The Department disagrees with the questioned costs. The Department worked with its contractor and procured training for principals from high priority schools participating in the Statewide System of Support (SSoS), training for the principal coaches, building audits designed to assist SSoS schools determine strengths and areas of concern as well as pointing LEAs and the Department to systemic issues needing to be addressed, and development of an IT toolkit encompassing a comprehensive needs assessment, school improvement plan and other components aligned to federal requirements. After a series of pilot tests, the IT toolkit is in use in all school buildings that are part of LEAs receiving federal funds. These services were procured from Michigan State University, Advanced Ed in collaboration with the North Central Association and Council on Accreditation and School Improvement (NCA CASI) as well as the Southern Association of Colleges and Schools Council on Accreditation and School Improvement, Inc (SACS CASI). Charges to the Title I program are based on the cost of these activities. The activities directly benefited the Title I program. They were necessary to implement key portions of the No Child Left Behind statute. There was no harm to the federal interest.

- b. (1) MDE does not disagree with this Finding. The Office was severely understaffed at the time, preventing appropriate follow-up on On Site Review Compliance Plans.
- (2) MDE agrees with this Finding. MDE was understaffed at the time, making it difficult to follow up on discrepancies.
- (3) As previously described in the performance audit response, MDE agrees with this finding.
- (4) As previously described in the performance audit response, MDE disagrees with this finding. MDE is following the Federal Guidance for the 20% set-aside for Supplemental Educational Services and Choice/Transportation.

MDE will ensure more appropriate and detailed documentation is provided in the future.

Corrective Action:

c. MDE agrees with this finding. MDE was severely understaffed at the time and unable to follow up in all instances.

a. (1) MDE has changed its procedures and the Director of the OEII now signs and approves invoices that clearly state the work done and its relationship to the High Priority Schools initiatives.

(2) MDE now follows appropriate procurement procedures for contracts. This program is now being managed by the OEII.

b. (1) Staffing has now increased. New systems are in place to ensure appropriate follow-up.

(2) This program is being managed by the Office of Field Services (OFS). OFS is awaiting approval of a lead fiscal auditor staff member position and will establish stronger fiscal monitoring in the near future. MDE plans to contract with an appropriate number of fiscal monitors as needed to follow up on fiscal issues such as appropriate timing of three-day cash draws.

Part of the responsibility of the lead fiscal auditor staff member is to follow up on discrepancies in timing of three-day cash draws.

(3) This program is now being managed by the OEII. Careful attention and systems are being put in place to ensure that documentation of services and related contracts are appropriately in place, consistent with the terms, conditions and specifications of Contracts and Purchase Orders.

(4) MDE will monitor LEAs to ensure that they are setting aside 20% of their funds for SES. MDE is aware that the Federal Guidance allows the district to set-aside a percentage of the 20% from Federal funds and may indicate the balance from other funding sources, if applicable. MDE continues to work to strengthen the monitoring that occurs for SES and Choice.

- c. Staffing has improved and Management has developed processes to ensure that all required LEAs will complete the Title I Comparability Application, demonstrating compliance with this requirement. The OFS will monitor a large sample to ensure compliance.

- Anticipated Completion Date:**
- a. (1) Completed
 - (2) Completed
 - b. January 31, 2011
 - c. January 31, 2011

Responsible Individuals: a. Linda Forward, b & c Michael Radke

Finding Number: 31310008

Finding Title: Special Education Cluster (IDEA), *CFDA* 84.027, 84.173, 84.391 (ARRA), 84.392 (ARRA)

- Management Views:**
- a.(1) MDE agrees with this finding.
 - a.(2) MDE agrees with this finding.
 - a.(3). MDE agrees with this finding.
 - b. MDE agrees with this finding.

- Corrective Action:**
- a.1. The review of final narrative reports has been undergoing improvement processes. Since the last audit, personnel assigned to the review have left the MDE. New personnel have been assigned and the OSE-EIS has established a process that sets a specific timeframe annually when final narrative progress reports will be reviewed and documented.

The OSE-EIS will develop a procedure to ensure timely submission of final narrative reports by LEAs.

- a.2 Program Fiscal Reviews (PFRs) have been implemented and maintained historically with significant paper documentation. Of the program fiscal reviews selected for review, the finding represents a missing single page with no findings for the LEA. The page was available to create the PFR letter to the ISD and LEA and subsequently mis-filed. The OSE-EIS currently maintains all supportive documentation and communications electronically utilizing

TeamMate audit software. There are no longer paper files to be mis-placed.

- a.3. Due to the extensive effort to implement the requirements of the IDEA American Recovery and Reinvestment Act funding, staff with federal maintenance of effort responsibility were fully redirected from this activity. In addition, the staff member with primary responsibility for the MOE processing left the employment of the OSE-EIS. The OSE-EIS is in the process of hiring a new staff member that will have MOE responsibility, in addition to training additional existing staff to support the timely review of LEA MOE.
- b. The OSE-EIS will establish procedures and ensure that all federal requirements related to new or expanding charter schools are met.

Anticipated Completion Date: a.1. July 31, 2010
a.2. Completed
a.3. September 30, 2010
b. August 31, 2010

Responsible Individual: Jacque Thompson

Finding Number: 3131009

Finding Title: Career and Technical Education – Basic Grants to States, *CFDA* 84.048

Management Views: The Department of Education finds itself in a quandary caused by back-to-back single audits. MDE agreed in part with the prior finding and anticipated completing the corrective action by March 31, 2010. However, a repeat finding is being made before the United States Department of Education (USDOE) issues a program determination letter on the first finding.

In April of 2009, the Department of Education requested and received informal approval to change the methodology used to calculate maintenance of effort. The prior audit finding stated that MDE must receive formal approval from the United States Department of Education. In November, 2009, the USDOE requested further input from MDE before they resolved the audit finding. In January, 2010, MDE

submitted additional information including the revised methodology for the years in question. Michigan has met the maintenance of effort requirement using the revised methodology. To date, the USDOE has been silent on both the audit resolution and the revised methodology.

Corrective Action: To be determined in consultation with the USDOE.
Anticipated Completion Date: Indeterminate
Responsible Individual: Patricia Cantu

Finding Number: 3131010
Finding Title: Early Intervention Services (IDEA) Cluster
CFDA: 84.181 and 84.393 (ARRA)
Management Views: MDE agrees with the finding.

Corrective Action: The Office of Early Childhood Education and Family Services is developing a process for identifying and reporting local and state expenditures. This will be a phased development with input considered from the Intermediate School Districts. Guidance is also being provided by the Michigan Office of Special Education and Early Intervention Services based on the Part B Maintenance of Effort collection.

Anticipated Completion Date: July 1, 2012
Responsible Individuals: Gary Schafer

Finding Number: 3131011
Finding Title: Safe and Drug-Free Schools and Communities - State Grants, *CFDA* 84.186

Management Views: a. (1) MDE acknowledges this finding. On-site monitoring/desk reviews were not conducted during 2007-08. A total of 16 on-site/desk reviews were conducted in 2008-09.

(2) MDE acknowledges the finding. Because education grants are often program driven, it is not unusual to see programs run in the middle of the school year that result in large cash draws (e.g. prevention curriculum purchase for program implementation). An even draw of funds throughout the school year is not expected in all subrecipient situations. Since the previous audit

finding, procedures were followed and reports were run in the Cash Management System quarterly to monitor these draws. These reports were saved, but follow-up documentation is not available regarding specific districts cited in this audit. However, this documentation is available for other subrecipients participating in this grant program.

- b. MDE acknowledges the finding. An updated allocation procedure to ensure that grants funds were earmarked to account for new/expanded charter schools has been implemented. These set-aside funds were allocated to new/expanded charter schools when the fall enrollment counts were finalized. This procedure was followed as a result of the previous audit, which did not conclude until 2009, and it will continue to be followed in the event federal SDFSC funding is restored.
- a. (1) Twenty on-site/desk reviews will be conducted in 2009-10.

Corrective Action:

(2) MDE will continue to follow the approved procedures of running quarterly cash timing reports and will continue to document follow-up correspondence with districts with cash draws that may have been in excess of accumulated expenditures.

- b. An updated allocation procedure to ensure that grants funds were earmarked to account for new/expanded charter schools has been implemented.

- Anticipated Completion Date:**
- a. Completed
 - b. Completed

Responsible Individuals: Kyle Guerrant

Finding Number: 3131012

Finding Title: State Grants for Innovative Programs, CFDA 84.298

- Management Views:**
- a. MDE disagrees with the nature of the finding. The MDE Office of Field Services (OFS) does not begin the monitoring of FER at the line item level. The Michigan Electronic Grants System (MEGS) initiates the process based on the reported subtotal as compared to the approved subtotal. If

there is a 10% deviation, districts are required to describe the deviation and provide rational for the reported numbers. The district explanation is forwarded to the OFS Consultant to determine if the item was allowable.

The MDE uses the results of single audits to document further follow-up and review of items against approved budgets.

- b. The MDE conducted **16** subrecipient on-site visits during fiscal year 2007-08. The on-site review in one LEA was not completed. The High School didn't complete the data required. The review was completed the following October.

OFS intends to strengthen the compliance requirement for the Plan by increasing the use of an electronic tracking system that will assist in notification that the Plan is past due. Immediate follow-up will be initiated by the OFS and consequences developed for failure to comply with the request.

Corrective Action:

- a. Ongoing
The MDE continues to work with the specific LEA. They have not completed compliance for three years. Their funding will be held in 2010-11 until compliance is complete.
- b. Completed

Anticipated Completion Date: June 30, 2011

Responsible Individual: Mike Radke

Finding Number: 3131013

Finding Title: Education Technology State Grants, *CFDA* 84.318

Management Views: a. MDE acknowledges that at the time of application the Eastern Upper Peninsula (EUP) ISD consortium and the Wexford-Missaukee ISD consortium did not list an eligible Local Education Agency (LEA) applicant as part of their application pursuant to the qualified applicants list provided by the Department. It should be noted that **the Federal government interest was not harmed**— i.e., to serve at least one high needs school. These grants were structured to have the grant

partners conduct a sub-application process after the competitive award to increase the number of participating LEAs, particularly those schools designated as high needs. In the case of the EUP ISD grant, the project served **87 LEAs** in the 2007-2008 grant of which **9 LEAs** (10 percent) were high priority schools, including **Sault St. Marie Area Public Schools**. In the case of the Wexford-Missaukee grant, the project served **216 LEAs** in the 2007-2008 grant of which **38 LEAs** (17.5 percent) were high priority schools, including **Cadillac Area Public Schools**. It should be noted that the 2002 Title IID Federal guidance also places a priority on servicing schools that have a substantial need for assistance in acquiring and using technology:

F-5. What is a "high-need local educational agency"?

A "high-need local educational agency" is an LEA that –

(1) Is among those LEAs in the State with the highest numbers or percentages of children from families with incomes below the poverty line; and

(2) Serves one or more schools identified for improvement or corrective action under section 1116 of the ESEA, or has a substantial need for assistance in acquiring and using technology.

b.(1) The Office of Field Services (OFS) has consistently worked during the Application process to ensure that the 25% of the funds is used for professional development related to implementing the PD in the classroom. The Guidance does allow for this amount to be paid from another source or to be contributed in kind by the vendor or trained facilitator, familiar with the content.

(2) MDE acknowledges the complexity involved in completion of the Compliance Plan and submission to MDE within 30 days. MDE currently intends to maintain this 30-day timeframe to clearly articulate the importance of addressing compliance issues immediately.

(3) MDE does not agree with this finding.

A review of the draws indicates upfront draws on

grant funds that exceed the normal spending curve. The reason for this is that 62% to 63% of the grant funds are earmarked for course registration scholarships. The funds are required early in the grant period to facilitate online instruction. This funding sequence is unique to this project.

MDE believes that the nature of the project required accelerated fund draws.

Corrective Action:

a. N/a. The MDE is in compliance

b.(1) OFS plans to increase monitoring and oversight of all aspects of the Federal programs within this Office. Additional staff will be added or contracted to ensure that the internal controls from Application to FER comply with the intent and purpose of the legislation.

(2) The electronic tracking system is being studied as a potential tracking system to help staff ensure that districts comply with the timely reporting requirements. This system will be used in tandem with the proposed, expanded monitoring procedures. It is anticipated that OFS will eliminate this issue through these additional internal controls.

(3) N/a. The MDE is in compliance

Anticipated Completion Date: a. N/a The MDE is in compliance

b. (1) June 30, 2011

(2) June 30, 2011

c. N/a The MDE is in compliance

Responsible Individuals: Bruce Umpstead, Mike Radke, Linda Forward

Finding Number:

3131014

Finding Title:

Reading First State Grants, *CFDA 84.357*

Management Views:

All 33 Financial Expenditure Reports (FER) were reviewed. The financial analyst confirmed that 4 FERs were outside the 10% variance between the FERs and the approved budget threshold. She documented this

review and reported the findings to the program staff and the office director. The program staff followed-up with Local Education Agencies (LEAs) to ensure that expenditures were authorized.

During the audit it was determined that one of the FERs was changed from the original FER that the financial analyst reviewed. This was due to a programming issue between the Michigan Electronic Grants System (MEGS) and the Cash Management System (CMS). The financial analyst did not know that the FER in CMS was not accurate. MDE will find a solution to this problem.

Corrective Action:

The program office has developed an excel document that will assist the office monitoring sub recipient FERs. This spreadsheet will improve internal controls to aid in proper sub recipient monitoring.

Anticipated Completion Date: Completed

Responsible Individuals: Mark Coscarella

Finding Number: 3131015

Finding Title: English Language Acquisition Grants, *CFDA 84.365*

Management Views:

- a. MDE does not disagree. MDE was understaffed at the time and are now recruiting to fill the vacant positions.
- b. MDE does not disagree with this finding. MDE was understaffed at the time, making it difficult to follow-up on discrepancies.
- c. MDE does not disagree with this finding. MDE was understaffed at the time, making it difficult to follow up on discrepancies.

Corrective Action:

- a. Systematic processes have been put in place to follow up on Compliance Plans.
- b. Responsibilities for this program have been transferred to the Office of Field Services (OFS). OFS is awaiting approval of a lead Fiscal Monitoring staff member position and will establish stronger fiscal monitoring in the near future.

Part of the responsibility of the lead Fiscal Monitoring staff member is to follow up on

discrepancies in Final Expenditure Reports.

- c. Responsibilities for this program have been transferred to the OFS. OFS is awaiting approval of a lead Fiscal Monitoring staff member position and will establish stronger fiscal monitoring in the near future. MDE plans to contract with an appropriate number of fiscal monitors as needed to follow up on fiscal issues such as appropriate timing of three-day cash draws.

Part of the responsibility of the lead Fiscal Monitoring staff member is to follow up on discrepancies in timing of three-day cash draws.

Anticipated Completion Date:	June 30, 2011
Responsible Individuals:	Mike Radke
Finding Number:	3131016
Finding Title:	Improving Teacher Quality State Grants, <i>CFDA</i> 84.367
Management Views:	<ul style="list-style-type: none">a. (1) MDE wants to acknowledge that its On Site Review process monitors all programs in the district Consolidated Application at the same time. The repeated subrecipient monitoring findings relate to a single Plan required to address all the Federal changes required and are not individual Plans. (2) MDE does not agree with the Finding. This grant is primarily for professional development. There is no carryover limit to the funds included in this grant. There is no way to determine if all funds could be legitimately and allowably expended on one comprehensive professional development activity. b. MDE does not agree with this Finding. While there may be one exception, the Office of Field Services has extensive information and protocols in place to ensure the services of non-public schools. MDE does not believe this sample is substantial enough to document a finding in this area.
Corrective Action:	<ul style="list-style-type: none">a. June 30, 2011b. None needed
Anticipated Completion Date:	n/a

Responsible Individuals: Mike Radke

Finding Number: 3131017

Finding Title: State Fiscal Stabilization Fund, Education State Grants, Recovery Act, *CFDA* 84.394

Management Views:

- a. FERs are triggered in the Cash Management System based on the grant end date. The grant ending date for all the ESF awards is September 30, 2011. This is the full period allowed by the United States Department of Education grant award. Although, FERs can be completed upon 100% draw of funds, there is no automatic method to trigger the FER. MDE has taken steps to adjust grant ending dates upon 100% draw of funds. This will force the system to generate FER emails and notices that the FER for the grant award must be completed within 60 days.
- b. This finding is true as of April 5, 2010. However, the ESF grants team has subsequently reviewed all submitted Final Expenditure reports.

Corrective Action:

- a. As of May 20, 2010 all FERs in the reviewed sample had been certified, processed, and then reviewed by MDE staff. As noted, not all FERs from the 33 sub-recipients had been submitted during the audit period. MDE is working to ensure that all FERs are submitted within 60 days of 100% draw of all funds. Modifications are being made to the Cash Management System (CMS) to trigger a notification indicating that a FER is available to complete upon 100% draw of all funds rather than the grant ending date.
- b. MDE has reviewed 100% of all processed FERS for both FY 2009 and FY 2010 Stabilization funds. CMS was forced to generate FER notifications for all subrecipients of both FY 2009 and FY 2010 Stabilization funds that had not yet submitted a FER but had drawn 100% of funds on June 4, 2010. MDE will continue to review all FERS submitted in a timely manner.

Anticipated Completion Date: a. Partially completed. Modifications to the Cash Management System (CMS) to trigger a

notification indicating that a FER is available to complete upon 100% draw of all funds rather than the grant ending date will be in place for the FY 2011 awards.

b. Completed.

Responsible Individuals: Louis Burgess
