



# Michigan Office of the Auditor General REPORT SUMMARY

## Financial Audit

Including the Provisions of the Single Audit Act

Report Number:  
313-0100-12

## Michigan Department of Education

October 1, 2009 through September 30, 2011

Released:  
June 2012

*A single audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.*

### **Financial Schedules and Financial Statements:**

#### **Auditor's Reports Issued**

We issued unqualified opinions on the Michigan Department of Education's (MDE's) financial schedules and on the School Aid Fund's financial statements.

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#### **Internal Control Over Financial Reporting**

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, we did identify significant deficiencies (Findings 1 through 3).

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#### **Noncompliance and Other Matters Material to the Financial Schedules and/or Financial Statements**

We did not identify any instances of noncompliance or other matters applicable to the financial schedules and/or financial statements that are required to be reported under *Government Auditing Standards*.

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### **Federal Awards:**

#### **Auditor's Reports Issued on Compliance**

We audited 19 programs (including 7 programs with ARRA funding) as major programs and identified known questioned costs of \$9.5 million. MDE expended a total of \$5.2 billion in federal awards, including \$1.4 billion of ARRA funding, during the two-year period ended September 30, 2011. We issued 18 unqualified opinions and 1 adverse opinion. The opinions issued by major program are identified on the back of this summary.

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### **Internal Control Over Major Programs**

We identified material weaknesses in internal control over federal program compliance (Findings 5, 10, 13, and 15). We also identified significant deficiencies in internal control over federal program compliance (Findings 4 through 8, 11 through 15, and 17).

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### **Required Reporting of Noncompliance**

We identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 (Findings 4 through 17).

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### **Internal Accounting and Administrative Control System:**

Section 18.1489 of the *Michigan Compiled Laws* requires the Auditor General to evaluate the implementation of Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* and report to the Legislature in the financial audit of each department. As a result of Executive Reorganization Order No. 2007-31 (Consolidating Internal Audit Functions), in which responsibility for most of the sections was moved to the Office of Internal Audit Services, State Budget Office, we have evaluated the implementation of only Section 18.1485 in this financial audit. Section 18.1485 requires each department director to establish an internal accounting and administrative control system, defines the elements of that system, defines the duties of the department director, and provides for certain reports. We determined that MDE was in substantial compliance with Section 18.1485 of the *Michigan Compiled Laws*.

The remaining sections (Sections 18.1483, 18.1484, and 18.1486 - 18.1488 of the *Michigan Compiled Laws*) will be evaluated and reported on in a performance audit of the Office of Internal Audit Services, State Budget Office.

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We audited the following programs as major programs:

<i>CFDA Number</i>	<i>Program or Cluster Title</i>	<i>Compliance Opinion</i>
	<u>Child Nutrition Cluster:</u>	Unqualified
10.553	• School Breakfast Program	
10.555	• National School Lunch Program	
10.556	• Special Milk Program for Children	
10.559	• Summer Food Service Program for Children	
10.558	Child and Adult Care Food Program	Unqualified
	<u>Emergency Food Assistance Program Cluster:</u>	Unqualified
10.568	• Emergency Food Assistance Program (Administrative Costs)	
10.568	• ARRA - Emergency Food Assistance Program (Administrative Costs)	
10.569	• Emergency Food Assistance Program (Food Commodities)	
10.569	• ARRA - Emergency Food Assistance Program (Food Commodities)	
45.310	Grants to States	Unqualified
	<u>Title I, Part A Cluster:</u>	Unqualified
84.010	• Title I Grants to Local Educational Agencies	
84.389	• ARRA - Title I Grants to Local Educational Agencies, Recovery Act	
84.011	Migrant Education - State Grant Program	Unqualified
	<u>Special Education Cluster (IDEA):</u>	Unqualified
84.027	• Special Education - Grants to States	
84.173	• Special Education - Preschool Grants	
84.391	• ARRA - Special Education Grants to States, Recovery Act	
84.392	• ARRA - Special Education - Preschool Grants, Recovery Act	
	<u>Early Intervention Services (IDEA) Cluster:</u>	Unqualified
84.181	• Special Education - Grants for Infants and Families	
84.393	• ARRA - Special Education - Grants for Infants and Families, Recovery Act	
84.186	Safe and Drug-Free Schools and Communities - State Grants	Unqualified
84.282	Charter Schools	Unqualified
84.287	Twenty-First Century Community Learning Centers	Unqualified
	<u>Education Technology State Grants Cluster:</u>	Unqualified
84.318	• Educational Technology State Grants	
84.386	• ARRA - Education Technology State Grants, Recovery Act	
84.357	Reading First State Grants	Unqualified
84.365	English Language Acquisition Grants	Unqualified
84.367	Improving Teacher Quality State Grants	Unqualified
	<u>School Improvement Grants Cluster:</u>	Unqualified
84.377	• School Improvement Grants	
84.388	• ARRA - School Improvement Grants, Recovery Act	
84.378	College Access Challenge Grant Program	Adverse
	<u>State Fiscal Stabilization Fund Cluster:</u>	Unqualified
84.394	• ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	
84.410	Education Jobs Fund	Unqualified

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



Michigan Office of the Auditor General  
201 N. Washington Square  
Lansing, Michigan 48913

**Thomas H. McTavish, C.P.A.**  
Auditor General

**Scott M. Strong, C.P.A., C.I.A.**  
Deputy Auditor General