



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. McTAVISH, C.P.A.
AUDITOR GENERAL

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit
Pupil Membership Reporting and Auditing
Process
Michigan Department of Education (MDE)

Report Number:
 31-400-04

Released:
 April 2005

MDE distributes State school aid to local school districts based on full-time equated (FTE) pupil membership counts as reported by the local school districts and audited by the pupil membership auditors. MDE develops and implements policies and procedures pertaining to the reporting and auditing of pupil memberships. MDE distributed approximately \$11 billion for pupil memberships to 57 intermediate school districts, more than 550 school districts, and nearly 200 public school academies to educate approximately 1.7 million FTE pupils during fiscal year 2003-04.

Audit Objective:

To assess MDE's effectiveness in ensuring the accuracy of K-12 pupil membership counts used in distributing State school aid funds.

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Audit Conclusion:

We concluded that MDE was somewhat effective in ensuring the accuracy of K-12 pupil membership counts used in distributing State school aid funds.

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Reportable Conditions:

MDE discontinued its quality control review process for pupil membership audits (Finding 1).

MDE did not require pupil membership auditors to perform a separate review of the pupils who were included in the September FTE pupil membership count but omitted from the following February FTE pupil membership count (Finding 2).

MDE did not identify and resolve variances between the FTE pupil membership counts reported in the State Aid Management System and the FTE pupil membership counts in the narrative audit reports submitted by pupil membership auditors (Finding 3).

MDE did not use the narrative audit reports to identify trends in pupil membership audit exceptions (Finding 4).

MDE should improve its guidance in its Pupil Accounting and Pupil Auditing Manuals (Finding 5).

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Agency Response:

Our audit report contains 5 findings and 5 corresponding recommendations. MDE's preliminary response indicated that it agrees with 4 of our recommendations and disagrees with the other recommendation.

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A copy of the full report can be
obtained by calling 517.334.8050
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April 26, 2005

Jeremy M. Hughes, Ph.D.
Interim Superintendent of Public Instruction
Michigan Department of Education
Hannah Building
Lansing, Michigan

Dear Dr. Hughes:

This is our report on the performance audit of the Pupil Membership Reporting and Auditing Process, Michigan Department of Education.

This report contains our report summary; description of agency; audit objective, scope, and methodology and agency responses and prior audit follow-up; comment, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during the audit.

AUDITOR GENERAL

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Description of Agency

The Michigan Department of Education (MDE) was established under the Executive Organization Act of 1965 (Act 380, P.A. 1965). MDE is headed by the elected eight-member State Board of Education established by the State Constitution of 1963. The principal executive officer is the Superintendent of Public Instruction, who is appointed by the Board. Article VII, Section 3 of the State Constitution vests in the State Board of Education the leadership and general supervision over all public education.

As a result of school finance reform, school districts receive a substantial amount of their operating revenue from the State through the School Aid Fund*. During fiscal year 2003-04, MDE distributed approximately \$11 billion (\$6,700 per full-time equated [FTE] pupil membership) for K-12* pupil memberships as prescribed by the State School Aid Act* of 1979. These distributions were made to 57 intermediate school districts (ISDs), more than 550 local educational authorities (school districts*), and nearly 200 public school academies* to educate approximately 1.7 million FTE pupils during fiscal year 2003-04.

MDE distributes State school aid to local school districts* based on FTE pupil membership counts* as reported by the local school districts and audited by the pupil membership auditors*. MDE develops and implements policies and procedures pertaining to the reporting and auditing of memberships. The required policies and procedures are contained in the accounting and auditing manuals approved and published by MDE.

Section 388.1618(2) of the *Michigan Compiled Laws* (Section 18(2) of the State School Aid Act of 1979) requires a certified public accountant or the ISD superintendent to audit the financial and pupil accounting records at least annually. This Section, in conjunction with MDE's Michigan School Auditing Manual, requires the annual financial audit to include an analysis of the financial and pupil accounting data used as the basis for the distribution of State school aid funds.

* See glossary at end of report for definition.

Audit Objective, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objective

The objective for our performance audit* of the Pupil Membership Reporting and Auditing Process, Michigan Department of Education (MDE), was to assess MDE's effectiveness* in ensuring the accuracy of K-12 pupil membership counts used in distributing State school aid funds.

Audit Scope

Our audit scope was to examine the program and other records of the Michigan Department of Education. Our audit was conducted in accordance with *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.

Audit Methodology

Our audit procedures, performed from February through August 2004, included examination of MDE's records and activities primarily for the period September 1, 2001 through July 31, 2004.

To accomplish our audit objective, we performed a preliminary review of the pupil membership reporting and auditing process, including identification and review of MDE's activities and responsibilities in this process. We interviewed various MDE staff and intermediate school district (ISD) auditors regarding their roles in the pupil membership reporting and auditing process and associated controls. We conducted a review of the State School Aid Act; applicable laws, regulations, policies and procedures; and other pertinent information.

We reviewed the Pupil Accounting and Pupil Auditing Manuals maintained by MDE to determine the Manuals' compliance with the State School Aid Act and other applicable laws and regulations. Also, we evaluated MDE's provision of technical assistance and training to local school districts and ISD auditors and how these activities impacted the development or clarification of guidance provided to these groups. In addition, we reviewed MDE's oversight of the pupil membership auditors through an analysis of selected quality control reviews (QCRs) conducted by MDE and by completing three QCRs using MDE's methodology.

* See glossary at end of report for definition.

We examined various pupil count data from the Center for Educational Performance and Information (CEPI) and narrative audit reports* submitted to MDE by the pupil membership auditors to identify trends in pupil membership reporting and auditing, including comparisons of unaudited and audited pupil membership counts. Also, we obtained information from the Department of Management and Budget regarding budgetary forecasts of full-time equated (FTE) pupil membership counts to determine their applicability to MDE and its efforts to verify the reasonableness of FTE pupil membership counts.

We contacted 24 pupil membership auditors to obtain their feedback on MDE's Pupil Accounting and Pupil Auditing Manuals, MDE's pupil membership audit appeal* process, MDE's provision of technical assistance, and other membership reporting and auditing related issues.

We reviewed MDE's process to resolve local school district appeals of audit exceptions noted in pupil membership audits. We analyzed individual appeals to determine MDE's compliance with the State School Aid Act and other applicable laws and regulations in rendering its appeal decisions.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 5 findings and 5 corresponding recommendations. MDE's preliminary response indicated that it agrees with 4 of our recommendations and disagrees with the other recommendation.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require MDE to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

We released our prior performance audit of the Membership Reporting and Auditing Process, Department of Education (#3140094), in January 1996. MDE complied with 2 of the 3 prior audit recommendations, and the other recommendation was rewritten for inclusion in this audit report.

* See glossary at end of report for definition.

COMMENT, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS IN ENSURING THE ACCURACY OF K-12 PUPIL MEMBERSHIP COUNTS

COMMENT

Audit Objective: To assess the Michigan Department of Education's (MDE's) effectiveness in ensuring the accuracy of K-12 pupil membership counts used in distributing State school aid funds.

Conclusion: We concluded that MDE was somewhat effective in ensuring the accuracy of K-12 pupil membership counts used in distributing State school aid funds. Our assessment disclosed reportable conditions* related to the resumption of quality control reviews (QCRs), additional pupil membership review, full-time equated (FTE) variance identification and resolution, exception trends in narrative audit reports, and manual guidance and other information (Findings 1 through 5).

FINDING

1. **Resumption of QCRs**

MDE discontinued its QCR process for pupil membership audits. As a result, MDE could not ensure the accuracy of the pupil membership counts used in the distribution of State school aid funding to local school districts.

Prior to MDE's discontinuance of the QCR process, MDE used the QCRs to help ensure that the pupil membership counts and audits were completed in compliance with its Pupil Accounting and Pupil Auditing Manuals. Pupil membership counts are the basis for school aid funding to local school districts.

Section 388.1618(2) of the *Michigan Compiled Laws* requires a certified public accountant (CPA) or the intermediate school district (ISD) superintendent to audit the pupil membership records to determine the reasonableness of the FTE pupil membership counts used to generate State school aid funding for local school districts. However, MDE has an oversight responsibility to ensure that the distribution of State school aid funding is based on reliable and verified pupil membership counts submitted by local school districts.

* See glossary at end of report for definition.

In response to a prior audit finding, MDE established a QCR process to help ensure that pupil membership accounting and auditing functions were consistently evaluated and that appropriate corrective action was initiated when material noncompliance was noted. The QCR process was also designed to improve the quality of the pupil membership audits and provide training and technical assistance to the pupil membership auditors. A QCR included, but was not limited to:

- A comparison of alternative education pupils to the pupil alphabetical list to identify potential duplications.
- A verification that the building rotation schedule was followed.
- An assessment of the adequacy of the documentation of the audit process.
- The completion and appropriate use and accuracy of the forms necessary to complete the audit.
- A review of FTE adjustments.

MDE planned to conduct a QCR for each ISD once every three years. If an ISD failed the QCR, MDE would then conduct a QCR annually until the ISD passed.

During our audit, we conducted QCRs of three ISDs using MDE's methodology. During our review, we noted:

- a. One ISD had not conducted a field audit* of the 22 elementary school buildings in one local school district in over four years. MDE's Pupil Auditing Manual requires a field audit of each elementary school building at least once every four years. One of the 22 elementary school buildings was field audited in the fifth year.
- b. All three ISDs had errors in the application of required pupil auditing procedures, such as the determination and expansion of audit sample sizes, the consistent determination and use of risk assessments, and the determination of population categories.

* See glossary at end of report for definition.

MDE discontinued its QCR process in May 2003. MDE informed us that it no longer had State funds available to continue this function.

RECOMMENDATION

We recommend that MDE resume its QCR process for pupil membership audits.

AGENCY PRELIMINARY RESPONSE

MDE agrees with the audit recommendation. MDE stated that it is a strong supporter of the QCR process and faithfully performed QCRs while it had State funds. MDE indicated that in 1997 it lost its three State-funded pupil membership auditors and that, due to restrictions on replacing early retirees, MDE was permitted to replace only one of the three auditors. MDE stated that it lost this final State-funded auditor due to budget cuts in 2003. MDE indicated that, prior to losing that auditor, it performed a risk analysis and did a complete series of QCRs of the high risk ISDs. MDE also indicated that it has recently been given a small amount of State funds and will resume the QCR process.

FINDING

2. Additional Pupil Membership Review

MDE did not require pupil membership auditors to perform a separate review of the pupils who were included in the September FTE pupil membership count but omitted from the following February FTE pupil membership count. As a result, MDE had limited assurance that these pupils were properly included in the September FTE pupil membership count and appropriately funded.

MDE requires pupil membership auditors to perform specific audit procedures for categories of pupil memberships determined to be of higher risk than a conventional pupil membership. Referred to as "nonconventional," these pupil memberships require additional audit procedures to validate their eligibility, FTE valuation, and inclusion in the pupil membership counts. Many of these nonconventional pupils result in a prorated pupil membership (less than 1.0 FTE) for the reporting school district and have a greater likelihood of calculation errors.

We noted that on a Statewide average for the last five school years*, the Statewide September FTE pupil membership counts consistently exceeded the Statewide February FTE pupil membership counts in the same school year by approximately 1.1% annually (19,000 FTE pupils). We identified some circumstances that contributed to this trend, including pupils leaving the public school setting, early graduation, drop-outs, and migrant pupils. However, this accounted for only a small portion of the 19,000 FTE pupil membership decrease. MDE had made no comparisons of pupil membership count data between the September count and the following February count to identify this trend and follow up on the reasons for the decreases.

FTE pupils included in the September count generate four times the funding generated by the FTE pupils included in the February count. Consequently, we believe that the pupil membership auditors should select a sample of these omitted pupils to determine the appropriateness of their inclusion in the September FTE pupil membership count.

RECOMMENDATION

We recommend that MDE require pupil membership auditors to perform a separate review of the pupils who were included in the September FTE pupil membership count but omitted from the following February FTE pupil membership count.

AGENCY PRELIMINARY RESPONSE

MDE disagrees with the audit recommendation. MDE agrees in concept with the audit finding but does not believe that a separate review by the ISD auditors is the best first step in corrective actions. MDE informed us that it has started and will continue to analyze the FTE decreases to determine the nature of the pupils' exits and the risk of overstatement of the September counts. MDE indicated that the proposed data warehouse to be developed by the Center for Educational Performance and Information (CEPI) will help with this analysis. MDE also indicated that, if determined to be cost beneficial, it will design audit tests to address the risk.

* See glossary at end of report for definition.

FINDING

3. FTE Variance Identification and Resolution

MDE did not identify and resolve variances between the FTE pupil membership counts reported in the State Aid Management System (SAMS) and the FTE pupil membership counts in the narrative audit reports submitted by pupil membership auditors. As a result, MDE could not ensure that it used the most accurate FTE pupil membership count data available to determine a local school district's State school aid funding. For the fiscal year ended September 30, 2004, over \$11 billion was appropriated from the School Aid Fund to local school districts for the education of approximately 1.7 million K-12 FTE pupils, with a basic foundation allowance* of \$6,700 per FTE pupil membership.

MDE relies on the ISD auditors and CPA firms to audit the pupil membership records to determine the accuracy and reasonableness of the FTE pupil membership counts. The ISDs then submit the audited FTE pupil membership counts (eligible for State school aid funding) to CEPI. MDE uses the audited FTE pupil membership counts from CEPI to generate State school aid payments to local school districts through SAMS.

Upon the completion of an FTE pupil membership audit, the ISD auditor or CPA firm must submit a narrative audit report to MDE, by individual local school district, for each pupil membership count. This report includes the audited FTE pupil membership count for the local school district along with a description of the reason for any adjustments made as a result of the audit. MDE received over 4,600 narrative audit reports for school years 2000-01 through 2002-03. However, MDE did not compare the FTE pupil membership counts reported on the narrative audit reports to the FTE pupil membership counts reported to CEPI.

We compared the FTE pupil membership counts reported on 60 narrative audit reports during this time period to the same 60 FTE pupil membership counts as reported to CEPI. This represented a review of approximately one-sixth of the total FTE pupil memberships reported during the same period. During our review, we noted 6 (10%) of 60 instances in which variances existed between the FTE pupil membership counts reported in the narrative audit reports and the FTE pupil membership counts reported to CEPI. Of these 6 instances, 4 of the variances resulted in 10.92 fewer FTE pupil memberships reported in the narrative audit

* See glossary at end of report for definition.

reports when compared to the CEPI data and 2 of the variances resulted in 1.84 more FTE pupil memberships reported in the narrative audit reports when compared to the CEPI data. Applying the basic foundation allowance to the net FTE variance results in approximately \$61,000 (9.08 fewer FTE pupil memberships reported in the narrative audit reports multiplied by \$6,700 per FTE pupil membership) in questionable State school aid funding.

RECOMMENDATION

We recommend that MDE identify and resolve variances between the FTE pupil membership counts reported in SAMS and the FTE pupil membership counts in the narrative audit reports submitted by pupil membership auditors.

AGENCY PRELIMINARY RESPONSE

MDE agrees with the audit recommendation in concept. MDE stated that an analysis of the differences identified by the auditors revealed that the FTE counts in SAMS were accurate and did not cause any erroneous State school aid payments. MDE indicated that it previously identified and resolved differences between pupil membership counts in the narrative audit reports and SAMS. MDE also indicated that it was reduced to one State-funded auditor and was forced to prioritize internal audits over pupil membership activities due to an Office of the Auditor General recommendation regarding MDE's need to increase legally mandated internal audit activities. MDE noted that it lost its final State-funded auditor due to budget cuts in 2003; however, a small amount of State funding has become available. As a result, MDE indicated that it will perform a cost-benefit analysis to determine if this is the best use of its resources.

FINDING

4. Exception Trends in Narrative Audit Reports

MDE did not use the narrative audit reports to identify trends in pupil membership audit exceptions. As a result, MDE limited its ability to identify exceptions that may require the development of additional guidance or clarification to help increase the accuracy of FTE pupil membership counts.

Section 388.1618(2) of the *Michigan Compiled Laws* requires MDE to establish requirements for pupil accounting records, reports, and audits. To satisfy this requirement, MDE maintains the Pupil Accounting Manual and the Pupil Auditing

Manual to guide ISDs and local school districts in the reporting and auditing of FTE pupil membership counts. This Section also requires the ISD to submit a narrative audit report for each of its constituent school districts, for each count day*, to MDE identifying the FTE pupil membership exceptions noted during its pupil membership audits. In addition, MDE staff provide technical assistance to ISDs and local school districts by responding to e-mail and telephone inquiries, along with limited participation in training conferences on pupil accounting and auditing issues conducted by outside agencies.

MDE received over 4,600 narrative audit reports for school years 2000-01 through 2002-03. We randomly selected 10 local school districts and reviewed 60 narrative audit reports associated with those school districts over the last three school years. We noted that 10 audit exception topics relating to FTE pupil membership count adjustments occurred in over 20% of the narrative audit reports over the three-school-year period. Specifically, 34 (57%) narrative audit reports indicated FTE adjustments related to a local school district claiming FTE pupil membership for students* who did not meet the return criteria for unexcused and excused absences, 27 (45%) reports identified FTE adjustments related to the number of classes attended during the count period by a student, and 20 (33%) reports identified FTE adjustments for local school districts that claimed FTE pupil membership greater than the actual number of hours of instruction scheduled or provided. In circumstances in which a high percentage of similar exceptions were noted, MDE should assess the sufficiency of the current guidance available to determine if additional guidance or clarification would increase the accuracy of future FTE pupil membership reporting.

MDE informed us that it tracks, on an informal basis, the pupil membership reporting issues identified in telephone and e-mail inquiries. While this may help prevent future pupil membership reporting errors on an individual basis, it provides no documented basis to quantify the occurrence of similar reporting errors in local school districts Statewide. MDE could enhance its narrative reporting review process to identify pupil membership reporting issues impacting local school districts Statewide.

* See glossary at end of report for definition.

RECOMMENDATION

We recommend that MDE use the narrative audit reports to identify trends in pupil membership audit exceptions.

AGENCY PRELIMINARY RESPONSE

MDE agrees with the audit recommendation in concept. However, MDE informed us that it has been many years since it has had the resources to routinely perform detailed analysis of pupil membership narrative audit reports. If resources and technology become available, MDE indicated that it will pursue an automated resolution of this audit finding.

FINDING

5. Manual Guidance and Other Information

MDE should improve its guidance in its Pupil Accounting and Pupil Auditing Manuals.

Additional pupil accounting and auditing guidance and easy access to detailed audit programs and forms would assist school district staff and pupil membership auditors in ensuring accurate student counts that generate State school aid funding payments to local school districts.

Our survey of 24 pupil membership auditors identified three areas in which additional guidance was needed in the Pupil Accounting and Pupil Auditing Manuals:

- a. Pupil membership auditors identified a need for additional guidance on the use of student duplication reports to resolve pupil membership duplications.

CEPI provides ISD staff who are responsible for uploading or auditing Single Record Student Database (SRSD) files with a report of duplicated students for their review and resolution. Some ISD auditors used the CEPI reports to resolve duplicated students between its constituent local school districts and between itself and other ISDs. However, information about the reports available and instructions on how to use the reports is not contained in the Pupil Auditing Manual.

MDE has provided limited guidance through two e-mails and responses to telephone questions to pupil membership auditors regarding the resolution of duplicate students. Inclusion of the guidance in the Pupil Auditing Manual would ensure that the guidance is consistent and available to all current and future pupil membership auditors.

- b. Pupil membership auditors identified a need for additional information to supplement the Pupil Accounting and Pupil Auditing Manuals relating to questions and answers, detailed audit programs, and forms.

A majority of the 24 pupil membership auditors we contacted identified the need to have the questions and answers (71%), detailed audit programs (76%), and forms (78%) available for use as necessary. Many of these pupil membership auditors stated that this would be of greatest benefit to new pupil membership auditors, in addition to themselves, particularly because MDE no longer conducts new auditor training. Adding this information to MDE's Web site would allow easy access for interested users.

During our audit fieldwork, MDE incorporated the question and answer component into the Pupil Accounting Manual.

- c. MDE did not include the pupil membership audit appeal procedure in its Pupil Accounting Manual.

Although MDE developed a pupil membership audit appeal procedure to outline and document the appeal process, MDE included this procedure in only its Pupil Auditing Manual, which is used primarily by pupil membership auditors. The pupil membership audit appeal procedure should also be included in MDE's Pupil Accounting Manual, which is used by local school district staff.

During our audit, 20 (83%) of the 24 pupil membership auditors we contacted agreed that the pupil membership audit appeal procedure should also be included in MDE's Pupil Accounting Manual.

RECOMMENDATION

We recommend that MDE improve its guidance in its Pupil Accounting and Pupil Auditing Manuals.

AGENCY PRELIMINARY RESPONSE

MDE agrees with the audit recommendation in concept. MDE informed us that, prior to receiving the audit finding, it had identified duplicate pupil resolution as an item to be added to the Pupil Auditing Manual. MDE stated that it has updated the Pupil Auditing Manual to include resolution of duplicate pupils and that the Manual is currently under field review.

In the past, MDE provided sample forms during its new auditor training sessions and QCRs. Because its pupil auditor position has been eliminated, MDE no longer performs either function. After receiving this recommendation, in order to provide accessibility to forms, MDE added a link on its Web site to the Michigan Pupil Accounting and Attendance Association (MPAAA) Web site. The MPAAA Web site includes examples of many forms.

MDE stated that although the pupil membership audit appeal procedure is in the Pupil Auditing Manual, it plans to add the procedure to the Pupil Accounting Manual the next time that it updates the Manual.

GLOSSARY

Glossary of Acronyms and Terms

CEPI	Center for Educational Performance and Information.
count day	An official established day used in determining pupil membership (the number of full-time equated pupils) reported for State school aid.
CPA	certified public accountant.
effectiveness	Program success in achieving mission and goals.
field audit	An on-site review of records to determine that the building or program FTEs have been properly documented and claimed for State school aid funding.
foundation allowance	The amount legislatively designated for each school district for each reported pupil. Foundation allowance funds are to be used for the general operating expenses of a school district. The starting point for the foundation allowance is the eligible base revenue that each school district received per pupil in school year 1993-94. This amount is then increased each year by an amount specified in the annual amendments to the State School Aid Act of 1979.
full-time equated (FTE)	An individual pupil's pro rata share of membership. In no case may a pupil generate more than 1.00 FTE.
ISD	intermediate school district.
K-12	Kindergarten through grade 12.
local school district	A local school district or public school academy.
MDE	Michigan Department of Education.

MPAAA	Michigan Pupil Accounting and Attendance Association.
narrative audit report	A report submitted by the pupil membership auditor to the audited district's superintendent and to MDE summarizing the results of the audit, including the audit's scope and objectives, findings and recommendations, and any specific changes to the district's State school aid funding as a result of the audit.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
public school academy	A public school that is authorized under contract by an authorizing body in accordance with Part 6A of the Revised School Code. A public school academy is a body corporate and a governmental agency organized and administered under the direction of a board of directors. (Also commonly referred to as a "charter school.")
pupil membership audit appeal	A course of action available when a local school district or a public school academy disputes the findings of a pupil membership auditor. If a dispute occurs, the local school district or public school academy may appeal the audit finding(s) to MDE. If the dispute remains unresolved, the State Superintendent of Public Instruction is ultimately responsible for the final decision.
pupil membership auditors	ISD auditors or CPA firms.

pupil membership counts	The number of full-time equated pupils actually enrolled and in regular attendance on the official count day in accordance with the State School Aid Act and administrative rules. In no circumstances may the reported membership for an individual pupil exceed 1.00 FTE.
QCR	quality control review.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
SAMS	State Aid Management System.
School Aid Fund	The fund that furnishes State school aid to school districts and provides financing for the Public School Employees' Retirement System.
school district	A local or intermediate school district.
school year	July 1 through June 30.
State School Aid Act	The legislation that authorizes funding to local and intermediate school districts and public school academies and outlines requirements for determining pupil membership counts.
student	A K-12 pupil or an alternative education participant.

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