

Office of the Auditor General
Preliminary Survey Summary

Section 31a Program for At-Risk Pupils
Michigan Department of Education

September 2015

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



OAG

Office of the Auditor General

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Doug A. Ringler, CPA, CIA
Auditor General

September 23, 2015

Mr. Brian J. Whiston
Superintendent of Public Instruction
Michigan Department of Education
John A. Hannah Building
Lansing, Michigan

Dear Mr. Whiston:

I am pleased to provide this preliminary survey summary of the Section 31a Program for At-Risk Pupils, Michigan Department of Education. Although we identified areas of interest, we have determined that it would be a better use of our audit resources to terminate the planned performance audit at this time because of significant legislative changes and new benchmarks in fiscal years 2015 and 2016.

We appreciate the courtesy and cooperation extended to us during our preliminary survey. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

PRELIMINARY SURVEY SUMMARY

SECTION 31a PROGRAM FOR AT-RISK PUPILS

RESULTS

We conducted a preliminary survey of the Section 31a Program for At-Risk Pupils, Michigan Department of Education (MDE). We determined that the completion of this planned performance audit would be more effective in 3 or 4 years, after MDE has had an opportunity to implement significant new legislation and benchmarks. Therefore, we terminated this project and did not conduct sufficient testing to conclude upon the Program's overall effectiveness and efficiency.

FACTORS IMPACTING AUDIT TERMINATION

- Public Act 196 of 2014 requires school districts to implement two benchmarks for school year 2014-15. MDE is currently gathering data for the benchmarks from the State standardized tests. In addition, one of the benchmarks requires an analysis of three years' worth of data, beginning with school year 2014-15.
- Legislation has taken away the supplement vs. supplant criteria and made the use of funds more flexible beginning in school year 2014-15. Therefore, the risk of ineligible use of funds has been reduced.
- Legislation has made the definition of an at-risk pupil broader beginning in school year 2014-15. Therefore, the risk of ineligible pupils has been reduced.

AREAS OF INTEREST IDENTIFIED

- MDE performed very limited fiscal monitoring of the Program funds. MDE indicated that the \$223,000 in fiscal year 2015 appropriations for administration and oversight was not sufficient to fiscally monitor the Program.
- MDE completed on-site reviews for only 7 of the 782 school districts receiving Program funds in fiscal year 2014. Also, MDE did not complete any reviews in fiscal year 2015 because the limited administrative resources were used instead to provide guidance to school districts regarding new legislation and benchmarks. MDE indicated that 7 on-site reviews will be scheduled for fiscal year 2016.

BACKGROUND

Description: The Section 31a Program for At-Risk Pupils provides funding to eligible districts, public school academies (PSAs), or the Education Achievement Authority (EAA) for instructional and pupil support services for students who meet the at-risk identification characteristics specified in legislation. Program funds are limited to instructional services and noninstructional services provided directly to pupils. They may not be used for administration.

Funding: In fiscal year 2015, MDE's annual budget of \$317.9 million for the Program was supported by the State School Aid Fund (99.9%) and the State General Fund (0.1%).

Expenditures: MDE made \$317.7 million in payments to school districts, PSAs, and the EAA in each of fiscal years 2013 and 2014. For fiscal year 2015, MDE made \$260.1 million in payments to school districts, PSAs, and the EAA through June 30. In addition, for fiscal year 2014, MDE had \$217,700 in administrative expenditures.

Employees: As of June 15, 2015, MDE had 41 employees who worked part time on the Program. The total time spent on the Program by the 41 employees equated to 1.55 full-time employees.

SCOPE

Our preliminary survey generally covered the period June 1, 2015 through July 21, 2015 and included a limited review of the following significant MDE activities:

- Allocation procedures.
- Report monitoring procedures.
- On-site review procedures.
- Training/guidance provided to districts on use of funds, benchmarks, and legislative changes.

PURPOSE

Within a performance audit, we design the preliminary survey to obtain an understanding of the core activities within an entity or a program and to identify potential program improvements and/or deficiencies that could impair management's ability to conduct its operations in an effective and efficient manner. If the results of a preliminary survey do not identify significant concerns, our practice is to terminate the planned performance audit.

Preliminary survey procedures are limited in nature and should not be considered a completed performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our preliminary survey procedures would not necessarily disclose the presence or absence of any material conditions and/or reportable conditions. Given that the procedures we employed did not constitute a performance audit, we will not issue a performance audit report and we do not express conclusions regarding the effectiveness or efficiency of MDE's Section 31a Program for At-Risk Pupils.

