



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

April 3, 2014

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

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Michigan Department of Education, Pupil Membership Accounting and Reporting Process audit.

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

Sincerely,

Signature Redacted

Naomi Krefman, CPA
Assistant Director
Office of Financial Management

cc: John S. Roberts, State Budget Director
Thomas McTavish, CPA, Auditor General
Ellen Jeffries, Senate Fiscal Agency
Mary Ann Cleary, House Fiscal Agency
Joseph Haveman, House Appropriations Committee Chair
Roger Kahn, M.D., Senate Appropriations Committee Chair
Bill Rogers, House Appropriations Sub-Committee Chair
Howard Walker, Senate Appropriations Sub-Committee Chair
Mike Flanagan, State Superintendent, MDE
Carol Wolenberg, Deputy Superintendent, MDE
Jane Schultz, Director, Office of Financial Management, MDE

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**Michigan Department of Education
Summary Responses to Recommendations
Performance Audit of Pupil Membership Audit
March 2014**

1. Audit recommendations the agency complied with:

None

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

Findings 1, 2, 3, 4

3. Audit recommendations the agency disagrees with:

None

Michigan Department of Education
OAG Performance Audit – Pupil Membership Accounting and Reporting Process
Audit #313-0400-13

Finding #	Finding Title	OAG Recommendation	MDE Response	Update
1	Non-Certificated Teachers	<p>OAG recommends that MDE require pupil membership auditors to verify that the pupil membership counts do not include the portion of an FTE that a pupil is taught by a non-certificated teacher.</p> <p>OAG also recommends that MDE disclose the non-certificated teachers to the pupil membership auditors.</p>	<p>MDE agrees with the recommendations. MDE currently requires pupil membership auditors verify the certification of teachers for most non-conventional programs but not for conventional pupils. MDE will require that pupil membership auditors verify the certification of teachers for all pupils.</p> <p>The department's most recent guidance to the field regarding the impact on state aid for the use of a non-certificated teacher is based solely on the literal interpretation of Section 163 of the State School Aid Act. Section 163 says that a district employing teachers not legally certificated shall have deducted the sum equal to the amount paid the teacher for the period of non-certificated employment.</p> <p>After considerable discussion with Department administrators and staff from the Attorney General, MDE acknowledges that State School Aid Act Section 6(8) also applies. It requires that pupil membership FTE include only time when pupils are together with a certificated teacher and instruction is taking place. In addition to applying the penalties required by Section 163, the Department will also require the FTE impact imposed by Section 6(8) of the State School Aid Act.</p>	<p>MDE is currently drafting the Pupil Auditing Manual and incorporating the corrective action plans outlined in the original audit response. The revised manual will be issued by September 30, 2014 and apply to Fall 2014 pupil membership audits.</p>
2	FTE Conflict Resolution	<p>OAG recommends that MDE establish a process to ensure that local school districts and pupil membership auditors properly resolved FTE conflicts and adjusted FTE counts so that no pupil had an FTE that exceeded 1.0.</p>	<p>MDE agrees with the recommendation. It has been the established practice of pupil membership auditors to resolve FTE conflicts and make associated FTE adjustments. However, when pupil membership auditors make adjustments in total by district rather than on a per-pupil basis, it is impossible for MDE to determine the resolution of the identified FTE</p>	<p>MDE is currently drafting the Pupil Auditing Manual and incorporating the corrective action plans outlined in the original audit response. The revised manual will be issued by September 30, 2014 and apply to Fall 2014 pupil membership</p>

**Michigan Department of Education
OAG Performance Audit – Pupil Membership Accounting and Reporting Process
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Finding #	Finding Title	OAG Recommendation	MDE Response	Update
			<p>conflicts. After receiving the draft finding, MDE contacted the pupil membership auditors to follow up on the 2,442 pupils identified on the FTE conflict reports. The pupil membership auditors reported to MDE that only 5 pupils remained with an FTE exceeding 1.0. MDE intends to require pupil membership auditors make FTE adjustments on a per-pupil basis, if at all possible, to allow MDE to ensure the resolution of identified FTE conflicts.</p>	<p>audits.</p>
3	Additional Pupil Membership Review	OAG recommends that MDE require pupil membership auditors to perform a review of pupils included in the fall FTE pupil membership count but omitted from the following February FTE pupil membership count.	MDE agrees with the recommendation. State Aid and School Finance (SASF) reviews membership changes between payments, as well as between counts. If the cause of a change in membership is not readily known, SASF contacts the affected district for a response. Additionally, while not identified as a step in the Pupil Auditing Manual, it has been the established practice of pupil membership auditors to review drop/add lists that are reported by the districts, such as the one provided in the above cited example. MDE will revise the Pupil Auditing Manual to require that the pupil membership auditors document their reviews.	MDE is currently drafting the Pupil Auditing Manual and incorporating the corrective action plans outlined in the original audit response. The revised manual will be issued by September 30, 2014 and apply to Fall 2014 pupil membership audits.
4	Pupil Accounting Manual and Pupil Auditing Manual Guidance	OAG recommends that MDE improve its guidance in its Pupil Accounting Manual and Pupil Auditing Manual.	MDE agrees with the recommendation. MDE will revise the Pupil Auditing Manual to require that pupil membership auditors, on a sample basis, conduct in-person inquiries of teachers and various pupil accounting personnel involved with the attendance and the K-12 pupil membership reporting process regarding questionable and fraudulent K 12 pupil membership reporting.	MDE is currently drafting the Pupil Auditing Manual and incorporating the corrective action plans outlined in the original audit response. The revised manual will be issued by September 30, 2014 and apply to Fall 2014 pupil membership audits.