
MDE PUPIL AUDITING MANUAL

Intermediate School District Pupil Auditing Procedures

INTRODUCTION

Section 18(4) of the State School Aid Act requires that the Department approve and publish a pupil auditing manual. Section 81(6) of the State School Aid Act requires that each Intermediate School District (ISD) employ at least one person who is trained in pupil counting procedures, rules and regulations. The auditor must be free of conflicts of interest. Section 18(2) of the State School Aid Act requires pupil memberships to be audited by either an ISD auditor or public accounting firm. This manual is provided as a resource to pupil accounting auditors in performing desk and field audits of membership count procedures. Specific forms and programs have been developed to ensure that all audits are performed on a standardized basis. These requirements apply to all pupils including those in alternative education programs operated by the Adult Education Offices.

A desk audit must be done for ALL DISTRICTS AND FOR EVERY COUNT PERIOD. Utilization of the audit program will provide standardization and allow the auditor to perform the necessary procedures in a more effective and efficient manner. It is recommended that the desk audit be completed prior to beginning the field audit. The primary objective of the desk audit is to verify that the district's pupil membership counts are supported by building/program alpha lists and are mathematically accurate.

Required Documentation:

The reports/records listed below must be submitted to the ISD by the deadline established in the State School Aid Act.

1. SRSD Unaudited FTE Summary Report (listing FTEs by building and totals for the district). This report is generated through the error check program for the Michigan Department of Education's Single-Record Student Database.
2. Alphabetical list of membership (pupils) by building/program for K-12, alternative, and special education center programs. Each alpha list must contain, at a minimum, the following information:
 - ✓ Student's legal name
 - ✓ Student's street address, city, state and zip code
 - ✓ Student identification number
 - ✓ Date of birth
 - ✓ Residency status (resident or nonresident)(N/A for PSAs)
 - ✓ Name or school code of resident district for nonresident pupils
 - ✓ Name or school code of educating district for pupils educated for some/all of the day in another district
 - ✓ Grade level or program classification
 - ✓ Indication of which nonconventional categories apply to each pupil. This may be indicated on the alpha lists or on separate lists.
 - ✓ Indication of which pupils are absent in any class on the count day and return within the 10/30-day period. This may be indicated on the alpha lists or on separate lists.
 - ✓ FTE count per pupil—general education, special education and total FTE. FTE may be rounded to the nearest tenth or hundredth, at the district's discretion, provided there is consistency throughout the district.
 - ✓ FTE total for the building/program—general education, special education and grant total FTE
3. Consortium agreements

Minimum Desk Audit Procedures

1. Review the alphabetical lists of membership verify that:
 - a. All age requirements have been met:
 - (1) Pupils must have attained the to age of five as of December 1 of the school year.
 - (2) All pupils, except special education pupils but including alternative education pupils, must not have attained the age of 20 as of September 1 of the school year.
 - (3) Pupils enrolled and receiving instruction in a special education program approved by the Department must not have attained the age of 26 by September 1 of the school year.
 - (4) Pupils enrolled in alternative education programs operated through adult education must have attained the age of sixteen as of September 1, if they are educated with participants.

(Revised 3/01)

- b. The building FTE totals on the alphabetical lists of membership match the totals on the SRSD Unaudited Summary.
 - c. Pupils who are absent on the count day are identified on the alphabetical lists or on separate lists.
 - d. Pupils in nonconventional categories are identified on the alphabetical lists or on separate lists.
 - e. The district of residence has been indicated for nonresident pupils.
 - f. The alphabetical lists of membership are signed by an authorized representative.
2. Review the district's calendar to determine that the minimum days and hours are scheduled (can be done as part of the field audit).

SECTION 2 - Local District Field Audit Procedures

Objectives of the local district field audit procedures:

- A. Properly plan the audit.
- B. Verify that the district has included only those pupils with proper documentation in the pupil membership count.

Audit Procedures

1. Document the independence of the auditor (see Appendix C). The auditor should not have a conflict of interest in regard to the school district and/or building/program to be audited. Such conflicts could include:
 - a. The auditor was formerly employed by the school district and/or building/program to be audited.
 - b. The auditor has relatives currently employed by the school district and/or building/program.
 - c. The auditor has a personal or financial interest (e.g., service/employment contract) with the school district.

***Practical note:** In instances when the auditor is found to have a conflict of interest, the ISD superintendent should be informed and measures should be taken to minimize, if unable to completely eliminate, the conflict of interest. This could be addressed by reassigning the audit to another auditor (if applicable) or acquiring the services of an outside auditor who is independent (e.g., from another ISD).*
2. Perform the following planning steps before the field audit begins:
 - a. Review correspondence file, prior audit working papers (schedules and supporting documentation), prior audit report (including any audit or relevant monitoring reports the district received from other sources).
 - b. Review the Pupil Accounting Manual.
 - c. Obtain an understanding of the district, its approval/review procedures, its counting procedures and its audit risk factors by reviewing the Local District Planning form.
 - d. Compare current pupil membership counts by building and type (e.g., conventional, homebound/hospitalized, postsecondary enrollment) with the pupil membership counts from the same period of prior school year:
 - (1) Identify unusual or unexpected pupil membership counts.
 - (2) Consider whether matters identified indicate a higher potential for inaccurate pupil membership counts.
 - e. Select buildings for audit. Selection criteria should include types of pupils, prior audit findings, variation of current count from prior counts, rotation schedule, and potential for error.
 - f. Discuss the buildings/programs to be audited and the timing of the audit with responsible local district personnel. Also, provide the local district with a list of items which will need to be available during the field audit. Discussions should also include adequacy of work space for the auditors, access to pupil membership records, and assistance, if any, to be furnished by the local district.
 - g. Obtain and modify, as necessary, the Condensed Building Field Audit Program form for each building selected for specific field audits.
3. Complete building audits for those buildings selected in Step 2e. A Condensed Building Field Audit Program form (or alternative documents) should be completed to document specific procedures performed for each building audited.

4. Record variances noted in building audits on the FTE Adjustment Form.
5. Based on the results of building audits, determine if additional buildings need to be audited.
6. Conduct an exit conference with appropriate local district personnel. The following should be discussed:
 - a. Areas where the local school district can improve its documentation or counting procedures to maximize and accurately report FTE memberships (general findings).
 - b. Specific findings detected, along with the associated FTE adjustment that is needed.
 - c. District appeal procedures.
7. Draft a narrative report on the general and specific findings noted during the audit, and final FTE adjustments.
8. Update the list of items which need to be available to streamline future audits and compile a list of suggestions for improving future audits.

SECTION 3 - Local District Planning Form

District: _____

This form should be completed or UPDATED for each membership count. It should be prepared by the local district staff and used by the ISD auditor in planning the remainder of the field audit.

1. Identify key district personnel involved in the pupil membership count. Identification should include name, title, years in position, and a brief description of his/her pupil accounting responsibilities.

2. For each building/program at which the district provides instruction, complete:.

Building/Program	Location	Grade Levels/ Class of Pupils	Approximate Number of Pupils
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(Attach additional schedules if necessary).

3. Describe the district's procedures (or attach district policies/procedures) for ensuring a complete and accurate pupil count. (Procedures noted here should focus on the district level.)

4. On which basis does the district compute annual days and hours of instruction?

9 District

9 Building

5. What is the district's current experience of residential growth within the district (high pupil growth, declining enrollment, or stable enrollment)? Please describe.

6. To what extent are pupil records automated? Which pupil and attendance records are computer-generated?

7. Describe the district's procedures for reporting split schedule pupils.

	<u>Yes</u>	<u>No</u>
8. Do building/district alpha lists include the required information for nonconventional pupils?	_____	_____
9. Are building administrative personnel required to document in writing their review of the completed building alpha lists, including a representation that all building documentation is on file in accordance with state laws?	_____	_____
10. In prior pupil membership audits, have there been audits with no adjustments or insignificant audit adjustments?	_____	_____
11. Has there been continuity in key pupil membership count positions?	_____	_____
12. Are pupil count records verified for mathematical accuracy?	_____	_____
13. Are central accounting records maintained for the pupil counts?	_____	_____
14. Are pupil attendance records clearly documented?	_____	_____
15. Are pupil accounting and attendance records retained for three years?	_____	_____
16. Are nonconventional pupil populations properly documented and supported?	_____	_____

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17. Do key administrators and personnel appear to devote sufficient time to the pupil counting and reporting processes? _____
 18. Are there policies and procedures over personnel access to data and computer programs at each building within the district? _____
 19. Is there a complete and current pupil count policies and procedures manual at each building within the district? _____
 20. Do independent personnel reconcile the supporting detail with the building/program alpha lists for each count date? _____
 21. Do reasonable records retention and filing procedures exist? _____
 22. Are pupil records/files in a proper and orderly condition? _____
 23. Are employees responsible for pupil counts experienced and adequately trained for their duties? _____

Completed by:

Name: _____

Count day: 9/01 2/02 _____

SECTION 4 - BUILDING RISK ASSESSMENT

The purpose of a risk assessment is to determine the risk that the building pupil membership count may not be accurate. The overall risk assessment for each building and population is based on the auditor's judgment and must be documented. The risk assessment is used to determine the buildings to be audited and the sample size of pupils to be tested.

The standard audit cycle is described in Section 5, Building Field Audit Procedures. In addition, department policy requires that each public school academy (PSA) receive a field audit for the first count. After that, the PSA can be put on the regular audit cycle when the following two conditions occur: 1) the error rate for all populations is less than 5%, and 2) in the auditor's professional judgement, the auditor believes that the academy staff have a working knowledge of and have an adequate internal control system for the development of the membership count.

Each building must list the pupils in the following three categories:

Population I - Conventional pupils present on the count day

Population II - Conventional pupils absent on all or part of the count day

Population III - Nonconventional pupils

This can be provided on the alpha list or on separate lists.

A sample from each population (when applicable) based on the risk assessment must be selected at each building in which a field audit is performed.

The standard sample size is 2% of population I on a head count basis for a low risk assessment, 10% for a moderate risk assessment, and 15% for a high risk assessment. The standard sample size is 10% of population II and III on a head count basis for a low risk assessment, 15% for a moderate risk assessment, and 20% for a high risk assessment. The building audit procedures allow for alternative sample sizes beginning with 60 if a building with a low risk assessment has over 600 pupil records or if a moderate or high risk assessment increases the minimum sample size to more than 60.

In determining the overall risk of a building or program, the auditor should consider the following:

- C The results of the prior field and desk audits (sites or programs with error rates over 5% should be considered high risk.)
- C The effectiveness of district count procedures and controls
- C The experience of district personnel assigned to process pupil count data
- C The frequency of pupil absenteeism noted during the count period
- C The number of nonconventional pupils attending the building

SECTION 5 - Building Field Audit Procedures

This comprehensive description of building field audit procedures is provided, as well as a condensed audit program. The auditor has discretion in developing alternative audit programs but must: 1) adequately document the work performed, and 2) meet minimum audit standards.

Department policy **REQUIRES** that all high school buildings/programs be field audited at least once every two school years and that all middle school and elementary school buildings/programs be audited at least once every four school years. Professional judgement allows the auditor to change the high school audit cycle to not less than once every three years based on previous field audit results. This must be documented in the audit narrative. In addition, the Department requires that each building/program be desk audited for each pupil count. At least one building or program must be audited for each district each year. Because of a higher potential for errors, certain individual buildings/programs may need to be audited more frequently. The auditor may use discretion in increasing the frequency of field audits. Any deviation in audit frequency must be documented by the auditor. See Section 6, Building Risk Assessment. The objective of the field audit is to determine that the building/program FTEs have been properly documented and claimed for state school aid.

Audit Procedures

NOTE: A condensed building field audit program is provided as Section 7

1. Determine that the building adheres to district count procedures as identified on the district planning form.
2. Assess risk by completing a building risk assessment as described in Section 6.

Population I - Conventional Pupils Present on the Count Day

3. Select a sample from the building/program alpha list on a headcount basis. The sample may target known risk areas. The standard sample drawn should be 2% of Population I if the building risk assessment was low, 10% of Population I if the risk assessment was moderate, and 15% of Population I if the risk assessment was high. As an alternative, auditors may limit the number of initial Population I sample items to 60 if a building with a low risk assessment has over 600 Population I pupil records or if a moderate or high risk assessment increases the minimum sample size to more than 60.
4. If not tested as part of the desk audit, for the pupils selected:
 - a. Verify the residency status of the pupils as prescribed in the Pupil Accounting Manual.
 - b. Verify that the pupil appropriately satisfied the age requirements.
 - c. Verify that the pupil was in attendance and received instruction in all classes on the count day.

Practical note: Pupils must be age 5 on or before December 1 and under 20 years of age on September 1 for the current school year. Special education pupils must be under age 26 on September 1 for the current school year and must **not** have a high school diploma. Special education preschool pupils must be under age 5 on or before December 1 of the current school year.

Regulatory References for Residency

State Aid Sections:

3(6) 105 6(4) 111 6(6) 118 6(13)

State School Code Sections:

380.1401	380.1407	380.1411	380.1415	380.1416
380.1406	380.1408			

Administrative Rules:

340.3 340.5

Attorney General Opinions:

5004, May 1976	5574, Sept. 1979	5995, Oct. 1981
5112, Dec. 1976	5925, June 1981	6316, Sept. 1985

Court Cases:

University Center, Inc. v. Ann Arbor Public Schools. 386 Mich 210 (1971)
Feaster v. Portage Public Schools, 451 Mich 352 (1996)

Other Regulatory References:

State Aid Act Sections:

6(a)	6(4)(m)	6(4)(q)	6(7)(a)	101(4)	101(8)(d)
6(4)(l)	6(4)(o)	6(4)(r)	6(7)(b)	101(5)	

Administrative Rules:

340.2	340.4	340.10	340.11	340.12
340.3	340.5			

5. Determine and evaluate the audit error rate. Errors noted in the review of the sample items for Population I should be accumulated on a headcount basis regardless of the FTE impact. For example, an error of an understatement of .5 FTE and an error of an overstatement of .5 FTE would be summarized as 2 errors, although the FTE error is zero. The error rate should be calculated by dividing the cumulative total number of pupil records in error by the cumulative total number of sample items reviewed.

If the initial sample for Population I was less than 60 and the error rate is 5% or greater, the auditor IS REQUIRED to expand the sample in increments to 40% and then 75% of Population I. If the sample error rate is also 5% or greater at the 40% increment and again at the 75% increment, the auditor IS REQUIRED to expand to a 100% review of Population I.

If the initial sample selected was 60, the auditor may stop if there was 1 error or less. If there are 2 or more errors, the auditor IS REQUIRED to expand the sample in increments to 90, 180, and then 360 records from Population I as necessary. If 90 pupil records are reviewed and there are 3 or more errors, the auditor IS REQUIRED to expand the sample to 180 items. If 180 pupil records are reviewed and there are 7 or more errors, the auditor IS REQUIRED to expand the sample to 360 items. If 360 pupil records are reviewed and there are 14 or more errors, the auditor IS REQUIRED to expand to a 100% review of Population I.

Practical note: *If the underlying errors are isolated, professional judgement allows the auditor to focus the expansion of the sample on the subpopulation with the isolated error. It is encouraged that the auditor request that the district identify and correct the isolated errors before expanding the sample.*

Population II - Conventional Pupils Absent on All or Part of the Count Day

6. Determine the building Population II total pupils (this should be on the building/program alpha list and on the count day absence list):
 - a. Select a sample of these pupils on a headcount basis. The sample may target known risk areas. The standard sample drawn should be 10% of Population II if the building risk assessment was low, 15% of Population II if the risk assessment was moderate, and 20% of Population II if the risk assessment was high. As an alternative, auditors may limit the number of initial Population II sample items to 60 if a building with a low risk assessment

has over 600 Population II pupil records or if a moderate or high risk assessment increases the minimum sample size to more than 60.

- b. Verify the residency, age, and enrollment status, and the accuracy of the FTE computation, using the same method as for Population I pupils.
- c. For pupils absent from some or all classes on the count day, verify that either:
 - (1) The pupil had an authorized excused absence on the count day and attended all classes claimed for membership at least once within 30 calendar days of the count day, or
 - (2) The pupil had an unexcused absence on the count day, was enrolled and in attendance prior to the count day and attended all classes claimed for membership at least once during one of the next 10 consecutive days.

Practical note: Some auditors find it to be more efficient to select and test all pupils in a sample of the teacher attendance records rather than selecting individual pupils for testing. The sample size drawn should be based on risk (i.e. 10% for low risk) and may target known risk areas. Auditors should attempt to draw a representative sample and should consider whether very small or large classes will bias the sample. The auditor should document the sample selection process. Auditors should compare all Population II pupils in the sample teacher records to the Population II documentation provided for audit. This is a test of the accuracy of the district's Population II lists and a general finding should be written if a discrepancy is noted. The auditor should perform steps b and c above for the population II pupils and, in cases of noncompliance with the 10/30 day rule, expand that individual pupil record audit to class by class for return date verification. The auditor should count the Population II pupils in the teacher attendance books selected and document that a sufficient Population II sample was achieved (i.e. 10% for low risk). Auditors using this optional method will find it efficient to test Population I pupils using the same teacher attendance records.

Regulatory References

Administrative Rule:

340.3

7. Determine and evaluate the audit error rate. Errors noted in the review of the sample items for Population II should be accumulated on a headcount basis regardless of the FTE impact. For example, an error of an understatement of .5 FTE and an error of an overstatement of .5 FTE would be summarized as 2 errors, although the FTE error is zero. The error rate should be calculated by dividing the total number of pupil records in error by the total number of sample items reviewed.

If the initial sample for Population II was less than 60 and the error rate is determined to be 5% or greater, the auditor IS REQUIRED to expand the sample in increments to 40% and then 75% of Population II. If the sample error rate is also 5% or greater at the 40% increment and again at the 75% increment, the auditor IS REQUIRED to expand to a 100% review of Population II.

If the initial sample selected was 60, the auditor may stop if there was 1 error or less. If there are 2 or more errors, the auditor IS REQUIRED to expand the sample in increments to 90 and 180 records from Population II. If 90 pupil records are reviewed and there are 3 or more errors, the auditor IS REQUIRED to expand the sample to 180 items. If 180 pupil records are reviewed and there are 7 or more errors, the auditor IS REQUIRED to expand to a 100% review of Population II.

Practical note: *If the underlying errors are isolated, professional judgement allows the auditor to focus the expansion of the sample on the subpopulation with the isolated error. It is encouraged that the auditor request that the district identify and correct the isolated errors before expanding the sample.*

Population III - Nonconventional Pupils

Practical note: If a building does not have any nonconventional pupils, steps 8 and 9 are not applicable. Also, only those sections for which the building has the type of nonconventional pupils need to be completed. Generally nonconventional pupils are required to meet all the requirements of conventional pupils plus additional requirements specific to the nonconventional pupil type.

8. Determine the building Population III total pupils (this should be on the building/program alpha list):
 - a. Select a sample of these pupils on a headcount basis in such a manner that each Population III pupil has an equal chance of being selected. The standard sample drawn should be 10% of Population III if the building risk assessment was low, 15% of Population III if the risk assessment was moderate, and 20% of Population III if the risk assessment was high. As an alternative, you may limit the number of initial Population III sample items to 60 if a building with a low risk assessment has over 600 Population III pupil records or if a moderate or high risk assessment increases the minimum sample size to more than 60. If upon selection of the sample there are nonconventional categories that have not been represented in the sample, supplement the sample by selecting at least one pupil from each of the unrepresented categories.
 - b. Verify the residency, age, enrollment and attendance status and the accuracy of the FTE computation using the same method as for Population I and Population II pupils.
 - c. Perform the following additional audit procedures for the nonconventional pupils selected:

(1) Nonpublic Part-Time Pupils

From the population of nonpublic part-time pupils counted for membership, review each sampled membership to:

- (a) Verify that the pupil was in grades 1-12.
- (b) Verify that the membership was based on only nonessential elective courses.
- (c) Verify that the membership was based on curricular offerings that were offered to the district's full time pupils in the same grade level or age group during regularly scheduled school hours.
- (d) Verify that the membership was based on courses taken at the public school that were graded.
- (e) Verify that courses offered at a nonpublic school site were provided in accordance with Section 166b of the State School Aid Act.
- (f) Verify the accuracy of the membership.

Regulatory References

State Aid Act Sections:

6(4) 6(6) 166b

Administrative Rule:

340.6(b)

Michigan Revised School Code Section:

380.1561

The Non-Public School Act:

Public Act (PA) 302 of 1921

Court Cases:

Agostini v. Felton, ____ U.S. ____, 117 S.Ct. 1997, 138 L.Ed.2d 391 (1997)

Clonlara v. State Board of Education, 442 Mich 230, 242 (1993)

Snyder v. Charlotte Public Schools, 421 Mich 517, 365 NW2d 151 (1984)

School District of Traverse City v. Attorney General, 384 Mich 390, 185 NW2d9 (1971)

(8/99)

(2) Pupil Cooperative Education Programs

From the population of pupils attending cooperative education programs counted for membership, review each sampled membership to:

- (a) Verify that a written, voluntary agreement between or among the educating districts exists to provide certain educational programs for the pupils.
- (b) During the audit of the educating school district, verify the pupil's number of instructional hours scheduled to be provided. Verify that the FTE associated with non-resident cooperative education pupils was correctly calculated and correctly included as part of the grade-by-grade schedule of the DS-4061 form.

Regulatory References

State Aid Act Sections:

3(3) 6(4)(a) and (u) 101(8)(d)

State School Code Section:

380.627

(3) Reduced Schedule Pupils

From the population of reduced schedule pupils counted for membership, review each sampled membership to:

- (a) Verify that the pupil's Reduced Schedule Request and Approval form was signed and dated by the appropriate individuals.
- (b) Verify the local school district's determination that a reduced schedule was in the educational best interest of the pupil.
- (c) Verify that the minimum hours of instruction was scheduled and provided to the reduced schedule pupil.

Regulatory References

State Aid Act Section:

101(7)(c)

Administrative Rule:

340.10(5)

(4) Split-Schedule Pupils

From the population of split-schedule pupils counted for membership, review each sampled membership to:

- (a) Verify the pupil's number of instructional hours scheduled to be provided by each educating building/program within the same district.
- (b) Verify the accuracy of the building's/program's pro rata share of the split-schedule pupil's FTE membership computation and that pupils were not claimed for more than 1.0 FTE.

Regulatory Reference

Administrative Rule:

340.2(1)

(5) Pupil Work-Based Education Programs

NON-SPECIAL EDUCATION PROGRAMS

- (a) Verify that a document exists which specifies the responsibilities of the pupil, employer, parent(s), teacher coordinator, and school district. (Pupils placed in school facilities will not have an employer.)

- (b) Verify that a training plan exists which details specific job tasks to be learned by the pupil at the work site. The training plan must demonstrate how the pupil's employment is related to the pupil's instruction.
- (c) Verify that the employer or coordinator maintained and verified records of the pupil's attendance.
- (d) Verify that the pupil was granted high school credit toward graduation for time spent in the work-based program.
- (e) Verify that the number of worksite hours counted for membership did not exceed the maximum number of worksite hours allowed to be counted for membership, as determined by the district.

The following additional requirements apply ONLY to Cooperative Work-Based Education since it is an integral part of a career and technical education program:

- (f) Evidence that the pupil was concurrently enrolled in program-related instruction for a minimum of 120 hours per year, with at least one 40- to 60-minute session required per week, in addition to time required at the worksite.
- (g) Evidence that the pupil was employed for an average of not fewer than 15 hours per week during the effective time of the pupil's training agreement.
- (h) Evidence that a certified teacher/coordinator has monitored the student's work.

SPECIAL EDUCATION PROGRAMS

- (a) Verify that a complete work-study plan exists, signed by the parent, school, and employer.
- (b) Verify that a work-study coordinator or other special education personnel monitored the pupil's work.
- (c) Verify that the pupil was concurrently or previously enrolled in a vocational education program related to the work-based education.
- (d) Verify that the employer maintained and verified the pupil's attendance records.
- (e) Verify that the number of worksite hours counted for membership did not exceed the maximum number of worksite hours allowed to be counted for membership, as determined by the district.
- (f) Verify that a staff member visited the pupil and the pupil's supervisor at the job site at least once every 20 school days to check attendance, evaluate the pupil's progress, and evaluate the site in terms of the health, safety, and welfare of the pupil.

Regulatory References

Administrative Rules:

340.5(1)(c) 340.1733(m)

Cooperative Education Plan Guidelines for Career and Technical Education published by the Michigan Department of Education

(6) Postsecondary Enrollment Pupils

From the population of postsecondary enrollment pupils counted for membership, review each sampled membership to:

- (a) Verify that the high school pupil earned sufficient credits for grade 11 or 12 status.
- (b) Verify that the pupil was enrolled in both the local school district and the postsecondary institution during the district's regular academic year.
- (c) Verify that the pupil qualified for a state endorsement on the Michigan Educational Assessment Program test in the subject area (math, science and

communication skills) of the postsecondary class. Pupils may also enroll in computer science, foreign language or fine arts as permitted by the district.

- (d) Verify that the pupil was enrolled in a postsecondary academic course(s) not offered by the district or not available to the pupil due to a scheduling conflict.
- (e) Verify that the pupil had not yet completed local graduation requirements.
- (f) Verify that the district paid the required tuition and fees for the postsecondary course(s). Attendance records might not be maintained by postsecondary institutions. A pupil is considered in attendance on count day if he is enrolled on the count day and the tuition and fees are paid at the time of audit.
- (g) Verify the appropriateness and accuracy of the district's full or partial FTE membership computation for the postsecondary enrollment pupil.

Regulatory References

State Aid Act Section:

21b

Administrative Rule:

340.2(6)

Public Acts 159, 160, and 161 of 1996

Public Act 178 of 1997

(7) Part-Time Pupils

From the population of part-time pupils counted for membership, review each sampled membership to:

- (a) Verify that the number of instructional hours scheduled to be provided to the pupil is less than the minimum requirement.
- (b) Verify the accuracy of the district's pro rata share of the part-time pupil's FTE membership computation.

Regulatory References

Administrative Rules:

340.6 and 340.7

(8) Homebound/Hospitalized Pupils

From the population of homebound/hospitalized pupils counted for membership, review each sampled membership to:

- (a) Verify that the membership was supported by an attending physician's, hospital's, or licensed treatment facility's certification.
- (b) Verify that the pupil received, from a certificated teacher, the required instructional service during the count period.
- (c) Verify that the teacher(s) of record recorded the pupil as having an absence on the count day.

Regulatory References

State Aid Act Section:

109

Administrative Rules:

340.5(1) 340.1746

Homebound and Hospitalized Services for Public School Pupils issued by Michigan Department of Education--May 1, 1997

(9) Special Education Pupil Preschool Programs

From the population of special education preschool pupils counted for membership, review each sampled membership to:

- (a) Verify that an IEP was on file and effective as of the count day.
- (b) Verify that the pupil was enrolled as of the count day in a bona fide special education preschool program that had the minimum number of days and hours of instruction, as required by the special education rules.
- (c) Verify that the pupil received the specified number of instructional hours during the count period.

Regulatory References

State Aid Act Section:

6(4)(1)

School Code Sections:

380.1711(l)(f) 380.1751(1)

Administrative Rules:

340.4(d) 340.7(l) 340.7(9) 340.1754 340.1755 340.5(l)(j)

Eligibility of Pupils in Nonclassroom Services to Preprimary Age Children for State Membership Aid, Michigan Department of Education, Special Education Interpretation II-025, September 1991.

(10) Special Education Pupil Transition Services

From the population of special education transition service pupils counted for membership, review each sampled membership to:

- (a) Verify that the pupil was enrolled in the district and assigned to an instructional staff person as of the count day.
- (b) Verify that the pupil was in attendance, on a scheduled day during the count period, under the meaningful direction and supervision of a special education teacher, or under the supervision of a special education aide under the meaningful direction of a special education teacher, either at or away from school.
- (c) Where the special education pupil was paid for time counted in membership in a vocational evaluation or work activity center service, verify that:
 - i. The pupil was assigned to the service on the IEP.
 - ii. The pupil was assigned to an approved special education teacher.
 - iii. The vocational evaluation or work activity center service contractor, if any, had a wage deviation approved by the U.S. Department of Labor consistent with the regulations for implementing the Fair Labor Standards Act of 1938, as amended.
 - iv. The pupil spent at least 51% of the combined hours (of vocational evaluation services, or work activity services, and instructional hours) in instruction under the direct supervision of a teacher.

Regulatory References

Administrative Rules:

340.1701b(k) and (l)

Federal Regulation:

34 CFR 300.18

Michigan Department of Education Policies and Interpretations:

Utilization of Noncertified Personnel Elementary and Secondary--Nov. 1, 1988 Employment of Special Education Pupils

9. Determine and evaluate the audit error rate. Errors noted in the review of the sample items for Population III should be accumulated on a headcount basis regardless of the FTE impact. For example, an error of an understatement of .5 FTE and an error of an overstatement of .5 FTE would be summarized as 2 errors, although the FTE error is zero. The error rate should be calculated by dividing the total number of pupil records in error by the total number of sample items reviewed. If the initial sample for Population III was less than 60 and the error rate is 5% or greater, the auditor IS REQUIRED to expand the sample in increments to 40% and then 75% of Population III. If the sample error rate is also 5% or greater at the 40% increment and again at the 75% increment, the auditor IS REQUIRED to expand to a 100% review of Population III.

If the initial sample selected was 60, the auditor may stop if there was 1 error or less. If there are 2 or more errors, the auditor IS REQUIRED to expand the sample to 180 records from Population III. If 180 pupil records are reviewed and there are 7 or more errors, the auditor IS REQUIRED to expand to a 100% review of Population III.

***Practical note:** If the underlying errors are isolated, professional judgement allows the auditor to focus the expansion of the sample on the subpopulation with the isolated error. It is encouraged that the auditor request that the district identify and correct the isolated errors before expanding the sample.*

10. Determine the audit error rate for the entire building/program. This will be calculated by dividing the total number (on a headcount basis) of errors noted in Populations I, II, and III by the total number (on a headcount basis) of sample items reviewed in Populations I, II, and III.
 - a. If the building/program error rate is determined to equal or exceed 5%, but is still less than 10%, it is the auditor's judgment as to whether audit testing should be expanded to audit other like buildings in the district or audit the same building again for the next pupil membership count.
 - b. If the building/program error rate is determined to equal or exceed 10%, the auditor IS REQUIRED to audit at least one other like building in the district or, if no other like buildings exist in the district, audit the same building again for the next pupil membership count.

In all cases when an auditor has determined that the building/program error rate is equal to or exceeds 10%, the auditor IS REQUIRED to contact the Office of Audits of the Michigan Department of Education.

SECTION 6 - Condensed Building Field Audit Program

District: _____

Building: _____ Count Day: _____

This audit program is intended to be used in reference with the Building Field Audit Procedures, Section 5. The objective of the field audit is to determine that the building/program FTEs have been properly documented and claimed for state school aid.

BUILDING-WIDE PROCEDURES	Number of Errors	Performed By
1. Determine that the building adheres to district count procedures as identified on the local district planning form, and obtain the appropriate documentation.		
2. Obtain the building/program alpha list:		
a. Determine that nonconventional pupils are identified and summarized by category.		
b. Verify the mathematical accuracy of the list.		
c. Trace total of alpha list to the district summary used to prepare the DS-4061 form.		
d. Determine that the alpha list includes the following:		
(1) Student's legal name.		
(2) Student's street address, city, state, zip code.		
(3) Student's identification number.		
(4) Date of birth		
(5) Residency status (resident or nonresident). (N/A for PSAs)		
(6) Name or school code of resident district for nonresident pupils		
(7) Name or school code of educating district for resident pupils educated for some/all of the day in a district other than the resident district.		
(8) Grade level or program classification.		
(9) Indication of which nonconventional categories apply to each pupil. This may be indicated on the alpha lists or on separate lists.		
(10) An indication if the pupil is absent in any class on the count day and returns within the 10- or 30-day period. This may be indicated on the alpha lists or on separate lists.		
(11) FTE count per pupil—general education, special education and total FTE. FTE may be rounded to the nearest tenth or hundredth at the district's discretion, provided there is consistency throughout the district.		
(12) FTE total for the building/program—general education, special education and grand total FTE.		
3. Assess risk for the building according to section 4.		
4. Determine that the district has a procedure to determine 75% attendance and that the district accurately implemented the procedure.		

	Total Population	INITIAL SAMPLE				1 st EXPANSION					2 nd EXPANSION					100%		
		Risk %	Sample Size	# of Errors	% Errors	Risk %	1 st Exp.	# of Errors	Cum Errors	% Error	Risk %	2 nd Exp	# of Errors	Cum Errors	% Error	# of Errors	Cum Errors	% Error
Example	400	10%	40	3	7.5%	40%	120	2	5	3.1%	<i>N/A</i>						<i>N/A</i>	
Pop. I																		
Pop. II																		
Pop. III																		
TOTAL																		

POP III CATEGORIES IN BUILDING/PROGRAM	COUNT	SAMPLE SIZE	# ERRORS	% ERRORS	<p>Explanation of example:</p> <ul style="list-style-type: none"> ✓ 10% X 400 population = 40 pupils ✓ 3 errors divided by 40 sample = 7.5% error rate ✓ 40% X 400 = 160 minus 40 = 120 pupils ✓ 2 errors in expansion and 3 errors = 5 cumulative errors ✓ 5 divided by 160 total sample = 3.1% error rate ✓ Because the error rate is less than 5%, a second expansion is not needed <p>Each sample was selected in the following manner:</p> <p>Population I:</p> <p>Population II:</p> <p>Population III:</p>
Non-Public					
Cooperative Agreement					
Reduced Schedule					
Split Schedule					
Work Based					
General Education					
Special Education					
Postsecondary Enrollment					
Part-time					
Homebound					
Pre-Primary Impaired					
Special Education in Transition Services					

PUPIL SPECIFIC AUDIT PROCEDURES

	<u>No. of Errors</u>	<u>Performed by</u>
ALL PUPILS		
Residency (N/A for PSAs)	_____	_____
Presence on count date	_____	_____
10/30-day rule	_____	_____
Membership computations	_____	_____
NONPUBLIC PART-TIME		
Nonpublic records and courses same as regular district courses	_____	_____
Grades 1-12	_____	_____
Nonessential elective courses	_____	_____
Nonpublic graded like public	_____	_____
COOPERATIVE EDUCATION PROGRAM		
Written voluntary agreement	_____	_____
FTE computation	_____	_____
REDUCED SCHEDULE		
Approvals - signed and dated	_____	_____
FTE computations	_____	_____
Educational best interest	_____	_____
SPLIT SCHEDULE		
Verify instructional hours	_____	_____
Verify split of FTE	_____	_____
WORK-BASED EDUCATION		
Non-special education		
Written training agreement (external placements)	_____	_____
Training plan	_____	_____
Pupil attendance records	_____	_____
High school credits	_____	_____
Worksite hours within district policy	_____	_____

PUPIL SPECIFIC AUDIT PROCEDURES (CONTINUED)

	<u>No. of Errors</u>	<u>Performed by</u>
Non-special education cooperative education concurrently enrolled in related class	_____	_____
Employed 15 or more hours/week	_____	_____
Certified teacher monitoring work	_____	_____
Special education		
Work-study plan	_____	_____
Coordinator monitored work	_____	_____
Concurrently/previously enrolled in related class	_____	_____
Pupil attendance records	_____	_____
Worksite hours within district policy	_____	_____
District monitored job site every 20 days	_____	_____
POSTSECONDARY ENROLLMENT		
At least grade 11 status	_____	_____
Enrolled in both district and postsecondary classes	_____	_____
State endorsements	_____	_____
Courses not offered by district	_____	_____
Pupil not met graduation requirements	_____	_____
District paid tuition and fees	_____	_____
FTE calculation	_____	_____
PART-TIME PUPILS		
Less than minimum required hours	_____	_____
FTE calculation	_____	_____
HOMEBOUND HOSPITALIZED		
Physician certification	_____	_____
Instructional hours provided	_____	_____
Absent on count date	_____	_____

SECTION 7 - Audit Protocol

Audit Report

- A. An ISD or CPA pupil membership audit report must be submitted to the audited district's superintendent and the MDE Office of Audits. The final audit report is a public record and is available to any interested party.
- B. The final narrative ISD audit report shall:
 1. Include a description of the scope and objectives of the audit. This should include a description of the buildings or programs audited; whether a desk audit or field audit was performed; the dates of the audit work; the percent of FTE audited in each building or program; and the number of staff hours spent on the audit by name and title.
 2. Include a statement verifying that the audit was made in accordance with the Pupil Auditing Manual.
 3. Present factual data objectively, accurately, fairly, and completely including only information, findings, and conclusions that are adequately supported by sufficient evidence in the auditor's working papers. The report may also contain the district's written response.
 4. Present findings, recommendations, and legal references. Fully developed audit findings should include a description of the specific condition noted; the cause (if appropriate); the legal requirement that was violated, including the specific reference; the effect (amount of FTE revision or over/under statement) and a recommendation.
 5. Contain the specifics of FTE changes such as student name, course, and the reason for questioning the membership. This shall be reconciled and tied into the DS-4120 in the audit report. A copy of the DS-4120 shall be included in the audit report.
 6. Be written in language as clear and simple as the subject matter permits and that is concise and thorough.
- C. State aid adjustments will be made based on ISD audits prior to any appeals. Section 15(2) of the State School Aid Act states that if the result of an audit conducted by or for the superintendent affects the current fiscal year membership, affected payments shall be adjusted in the current fiscal year.

ISD Audit Appeal Process

The appeal of an ISD audit is a two-step process. The district may first appeal the ISD audit to the director of the Office of Audits. The district may then appeal the director's decision to the Superintendent of Public Instruction; that appeal will be assigned to the Office of Administrative Law which will act on behalf of the superintendent.

1. Appeals to the Director of the Office of Audits:
 - (a) District appeals of the ISD's audit findings must be made to the director of the Office of Audits within 30 days of receiving the ISD's audit report. The appeals must include a description of the memberships appealed along with rationale and legal references supporting the district's position. A copy of the appeal should be forwarded to the ISD auditor.
 - (b) If appropriate, the director of the Office of Audits will direct further investigation and request additional information.
 - (c) If necessary, the director of the Office of Audits will meet with school district officials and the ISD auditor to discuss the audit findings.
 - (d) The director of the Office of Audits will make a determination either affirming the audit findings or restoring all or part of the appealed memberships.

- (e) The director of the Office of Audits will notify the district in writing of the determination and that the district has 30 days (from receipt of the decision) to appeal the determination to the Superintendent of Public Instruction.
2. Appeals to the Superintendent of Public Instruction
- (a) A school district can appeal the decision of the director of the Office of Audits to the Superintendent of Public Instruction within 30 days of receiving the decision of the director of the Office of Audits. The appeal must include a description of the memberships appealed along with rationale and legal references supporting the district's position.
 - (b) Appeals will be assigned to a hearing officer in the Office of Administrative Law. The district will be offered an appeal conference. Staff involved will include the superintendent designee; hearing officer; affected program directors; an Attorney General representative, if the school district is represented by legal counsel; the director of the Office of Audits; and the ISD auditor. The Office of Audits will be represented as a party and the representative will explain the audit findings but will not participate in the decision process.
 - (c) Based on the appeal file, the appeal conference, and the instructions of the superintendent's designee, the hearing officer will draft a decision for consideration by the Superintendent of Public Instruction either affirming the audit findings or restoring all or part of the appealed memberships.
 - (d) The district will receive the decision signed by the Superintendent of Public Instruction and the appropriate accounting adjustments will be made.

SECTION 8 - Days and Hours of Instruction Procedures

DAYS

- A. Verify that the local school building's documentation of the days of instruction actually provided to each pupil for the most recently completed school year adequately supports the days of instruction reported to the Department on the DS-4168.

The local school district should have completed Part I of the DS-4168 if a districtwide calendar was in effect for the entire school year. Part II of the DS-4168 should have been completed if one or more individual buildings were closed on days when the remainder of the district's buildings were open or if a building chose to operate on a building calendar basis for the school year under review.

- B. The local school district building's procedures for the most recently completed school year to verify that at least 75% of the pupils scheduled for instruction were in attendance on days counted toward the 180-day requirement. Contact the Office of State Aid and School Finance with exceptions.

HOURS

- C. Verify that the building's documentation of the hours of instruction actually provided to each pupil for the most recently completed year adequately supports the hours of instruction reported to the Department on the DS-4168.

If the ISD auditor concluded that the local school district's documentation did not adequately support the days and hours of instruction reported on the DS-4168, the ISD auditor should report the results of his/her review to the Office of State Aid and School Finance of the Michigan Department of Education.

_____ ISD/RESA/RESD

REPORT OF

STATE AID MEMBERSHIP COUNT

FOR THE

(District Name)

(District Code)

Fall - (date) - Audit

Spring - (date) - Audit

This report represents the findings and opinions of the _____ ISD/RESA/RESD pupil accounting auditor(s). The final determinations on these matters will be made by authorized Michigan Department of Education officials.

The total number of staff hours spent on the audit follow:

<u>Name</u>	<u>Title</u>	<u>Hours</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

This audit reflects the findings of the auditor based on interpretation of the law, administrative rules and guidelines. Questioned memberships may result in reduction of state school aid paid under Section 21(1) of the State School Aid Act.

DISTRICT FINDINGS/RECOMMENDATIONS

The Michigan Department of Education (MDE) recommends that each school district implement and maintain a districtwide uniform attendance system using identical and minimal symbols. This could prevent full time equated (FTE) membership revisions.

We/I encourage your district to adopt the uniform attendance record system as recommended by the MDE.

RESULTS

The results of the (District Name) audit were discussed with representatives of the district.

We recommend that the pupil membership count for the _____ school year be changed by _____ FTE for non-adult education pupil memberships, and reduced by _____ FTE for adult education memberships. Therefore, the membership count should be revised from _____ memberships to _____ memberships and the adult education count should be revised from _____ to _____.

Principal Auditor (type/print) Signature Date

Agency Name _____

Agency Address _____

Phone (_____) _____ FAX (_____) _____

DISTRICT NAME

Building Name _____

GENERAL FINDINGS

Comments or problems in general - coded with a "G" and followed by a recommendation (no specific rule number necessary).

Finding G-1

The pupil accounting records revealed the following facts:

The following recommendations are made to avoid possible membership losses:

SPECIFIC FINDINGS – REGULAR EDUCATION

Coded with an “R” followed by a recommendation and a specific rule number. This includes violations of specific rules/guidelines resulting in FTE changes.

Finding R-1

Recommendation

Reference Rule

Finding R-2

Recommendation

Reference Rule

Intended for use by LEA and MDE only

Regular Education Specific Findings
Listing of students applicable

<u>Number</u>	<u>Name</u>	<u>Building</u>
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____
R- _____	_____	_____

Not a public record

SPECIFIC FINDINGS – SPECIAL EDUCATION

This includes violations of specific rules/guidelines resulting in FTE changes, coded with an “S,” followed by a recommendation and a specific rule number.

Finding S-1

Recommendation

Reference Rule

Finding S-2

Recommendation

Reference Rule

SPECIFIC FINDINGS - ADULT EDUCATION

This includes violations of specific rules/guidelines resulting in FTE changes, coded with an “A,” followed by a recommendation and a specific rule number.

Finding A-1

Recommendation

Reference Rule

Finding A-2

Recommendation

Reference Rule

Intended for use by LEA and MDE only

Adult Education Specific Findings
Listing of students applicable

<u>Number</u>	<u>Name</u>	<u>Building</u>
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____
<u>A-</u>	_____	_____

Not a public record
Attach a copy of the DS-4120(s)

