

MDE PUPIL AUDITING MANUAL

INTRODUCTION

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. Desk audits may be performed before or after the original submission of the FTE count (DS-4061). However, ISDs should run the CEPI error check program before submitting the original count.

Section 18(7) of the State School Aid Act requires that the Department approve and publish a pupil auditing manual. Section 81(5) 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(3) of the State School Aid Act requires pupil memberships to be audited by either an ISD auditor or public accounting firm. The audit shall be done in accordance with the Pupil Accounting Administrative Rules, the State School Aid Act, the MDE Pupil Auditing Manual, the MDE Pupil Accounting Manual, and other pertinent statutes.

Section 18(3) of the State School Aid Act mandates that the Department require each district (including PSAs) and ISD to have a pupil membership audit either by **an ISD auditor or a public accounting firm**. The Department has conditionally delegated that decision to districts and ISDs and provides the following guidance for CPA pupil membership audits:

The district, PSA or ISD (auditee) must:

- Submit the name of its pupil accounting contact person to the ISD auditor
- Allow the ISD auditor to have access to its pupil accounting records
- Submit the SRSD file to the ISD
- Submit the DS-4168 to the ISD

The CPA must:

- Perform all steps in the Pupil Auditing Manual, including writing the audit narrative
- Submit pencil changes to the DS-4061 (or an indication of no changes) to the ISD within 20 weeks of the count date
- Submit a signed narrative to the ISD
- Allow the ISD auditor to have access to its work papers, if necessary

The ISD must:

- Forward the SRSD file to CEPI
- Forward the Duplicate UIC Auditor View Report only for the district being audited to the CPA four weeks after the SRSD (DS-4061) submission deadline
- Enter the DS-4120 into the system after reviewing the pencil changes to the DS-4061 and audit narrative provided by the CPA.

NOTE: The CPA is responsible for the contents of the DS-4120 although the ISD enters the changes into the system.

SECTION 1 – AUDIT CYCLE

Department policy **REQUIRES** that all high school buildings or programs be field audited at least once every two school years and that all middle school and elementary school buildings be audited at least once every four school years. Informed professional judgment 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 schedule in the work papers and noted 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 field audited for each district or PSA each year. Because of a higher potential for errors, certain individual buildings/programs (new schools and PSAs) 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 3, 2.e, Planning for the Field Audit. A “program” for the purpose of defining the audit scope should be mutually determined by the ISD and the district.

The audit risk, the risk that the building pupil membership count may not be accurate, needs to be considered when determining audit frequency. 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.

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

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

A Building Risk Assessment form is available at Appendix A.1.

SECTION 2 – DESK AUDITS

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 or program alpha lists and are mathematically accurate. Refer to Appendix H for a sample desk audit form.

Document the independence of the auditor(s) involved in the desk audit (see Appendix A). The auditor should not have a conflict of interest in regard to the school district, building or program to be audited. Such conflicts could include:

- The auditor was formerly employed by the school district, building, or program to be audited (within the preceding two years).
- The auditor has relatives currently employed by the school district, building or program.
- The auditor has a personal or financial interest (e.g., service or employment contract) with the school district.

With respect to the ISD's Special Education program, the auditor must be organizationally independent and objective.

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), additional supervisory review of audit work papers, or acquiring the services of an outside auditor who is independent (e.g., from another ISD).

Required Documentation:

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

1. SRSD Unaudited FTE Summary Report (DS-4061) (listing FTEs by grade and totals for the district). This report is generated through the error check program for the Single-Record Student Database (SRSD).
2. Alphabetical list of membership by building or program for K-12, alternative, and special education center programs. This must be printed from the SRSD. Each alpha list must contain, at a minimum, the following information:
 - Pupil's legal name
 - Pupil's street address, city, state, and zip code
 - District pupil identification number (could be different than the SRSD UIC)
 - Date of birth
 - Residency status (resident or nonresident)
 - Name or school code of resident district for nonresident pupils

- Name and school code of educating district for resident pupils educated for some or all of the day in a district other than the district of residence
- Pupil grade level or program classification
- Total FTE for each pupil, including the breakdown between general education and special education, if applicable. 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 grand total FTE

Note: The building/program alpha list must be signed by the building principal.

The following information may be included on the alpha list or on separate lists:

- Indication of which non-conventional categories apply to each pupil.
- Indication of which pupils are absent in any class on the count day and return date within the 10/30-day period.

3. Consortium agreements

Minimum Desk Audit Procedures

1. Review the alphabetical lists of membership to verify the following:
 - a. The list contains all of the required information.
 - b. Age requirements have been met **for pupils entering the district**. SRSD Field 9 should calculate it.
 - c. The building FTE totals on the alphabetical lists of membership match the totals on the SRSD Unaudited Summary FTE Report (DS-4061).
 - d. Pupils who are absent on the count days are identified on the alphabetical lists or on separate lists.
 - e. Pupils in non-conventional categories are identified on the alphabetical lists or on separate lists.
 - f. The alphabetical lists of membership are signed by an authorized representative.
2. Perform the following procedures for duplicate **FTEs** disclosed in the Duplicate **FTE** Auditor View and:
 - a. Send a communication to the LEA or PSA regarding the need to resolve the duplicate **FTEs** that are reported. Attach the printout for that district.
 - b. Attempt to resolve any students that the LEA could not resolve.
 - c. Adjust the FTE in the districts within your ISD as needed.
 - d. Inform the districts of the adjustments.
 - e. Communicate UIC Resolution to other ISDs.
3. Review the Special Education Worksheets A and B to verify that:
 - a. No required information has been omitted;
 - (1) Teacher codes have been included.

- (2) Associated regular education FTE amounts, if any, have been reported in the proper column.
 - (3) The resident districts have been identified for pupils being educated outside of their district of residence.
 - b. FTE totals have been correctly **calculated**.
 - c. Each pupil's FTE did not exceed 1.00.
 - d. All pupils listed on the worksheets have been identified on the alphabetical lists of membership.
4. Verify the accuracy of FTEs reported in the Additional Information on K-12 Pupils.
 - a. The "Alternative Education FTE (age 16-19)" line should be compared with the Alternative Education amount above in the "K-12 Pupil Membership FTE in General Education." If there is a difference, the auditors should ask what program were the pupils counted in.
 - b. The Special Education and General Education FTE (Section 24) line should be verified.
 - c. The "New grade levels for **2007-2008** that have never been offered previously," is only for newer PSAs, but should be verified.
 5. Verify the Residency-Related Information sections of the DS-4061 report.
 6. During the September count audit, review the district's calendar to determine that the days and hours scheduled meet minimum requirements (can be done as part of the field audit).
 7. **Schools of choice may be audited in the desk review or field audit, depending on where the district's records are maintained. If conducting the schools of choice audit during the desk review (i.e., most commonly done this way when the district records are maintained centrally):**
 - a. **Verify that the district has a signed cooperative agreement for a sample of Section 105c Special Education pupils accepted since the last field audit.**
 - b. **Verify that the district either certified that it complied with or didn't comply with school of choice provisions in the State School Aid Act.**
 - c. **If noncompliance exists, report the noncompliance to the MDE Schools of Choice consultant for implementation of the 5% penalty.**
 - d. **If noncompliance affects the FTE, adjust the membership.**
 8. From the population of pupils enrolled in a district other than the pupil's district of residence, under Section 91 or 91(a), review each sampled membership to verify that the pupil was counted by the educating district.
 9. Evaluate the results of the desk audit and determine if changes need to be made to the district's risk assessment.

SECTION 3 – PLANNING FOR FIELD AUDITS

The objective of this section is to properly plan the field audit.

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

With respect to the ISD's Special Education program, the auditor must be organizationally independent and objective.

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), additional supervisory review of audit work papers, or acquiring the services of an outside auditor who is independent (e.g., from another ISD).*

2. Perform the following planning steps before doing the field audit:
 - a. Review correspondence file, prior audit working papers, prior audit report, and any audit or relevant monitoring reports the district received from other sources.
 - b. Review the *Pupil Accounting Manual*.
 - c. Review the Local District Planning Form (see Appendix B).
 - d. Obtain and review the district's excused/unexcused attendance policy.
 - e. Select and document the buildings for audit based on the audit cycle and a risk assessment. 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 that will need to be available during the field audit. Discussions should also include adequacy of workspace for the auditors, access to pupil membership records, and assistance to be furnished by the local district.

SECTION 4 – BUILDING FIELD AUDITS

This comprehensive description of building field audit procedures is provided, as well as a condensed audit program (see Section 5). The auditor has discretion in developing alternative audit programs but must: 1) adequately document the work performed, and 2) meet minimum audit standards.

The objective of the field audit is to determine that the building or program FTEs have been properly documented and claimed for state school aid.

Audit Procedures

1. Assess risk by completing a building risk assessment, **on buildings that will be field audited**, as described in Sections 1 and 3. A list of the pupils in the following three categories must be provided for each building:
 - Population I – Pupils present on the count day
 - Population II – Pupils absent on all or part of the count day
 - Population III – Non-conventional pupilsThis can be provided on the alpha list or on separate lists.
2. Determine sample size. A minimum sample must be selected from each population based on the risk assessment at each building in which a field audit is performed.

	Low Risk	Moderate Risk	High Risk
Population I	2%	10%	15%
Population II	10%	15%	20%
Population III	10%	15%	20%

If the result is not a whole number, round it up to the next whole number. Auditors may select samples larger than the minimum.

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.

3. Population I – Conventional Pupils Present on the Count Day

Determine the total building Population I pupils (This should be on the building or program alpha list).

- a. Select a sample from the alpha list on a headcount basis. The sample may target known risk areas.
- b. Verify the residency status of the pupils as prescribed in the *Pupil Accounting Manual* (SRSD Fields 3, 4 and 13). Note: Foreign pupils must meet residency requirements.
- c. Verify that the pupil was in attendance and received instruction in all classes on the count day. Attendance records must be taken on a class-by-class basis for buildings/programs in which the pupils change classrooms (such as high school and middle school).

- d. The SRSD Field 20 is the enrollment date. Verify that all pupils were enrolled on or before the count date.

Regulatory References for Residency

State School Aid Sections:

388.1603(6)	388.1606(4)	388.1606(6)	388.1705	388.1711
388.1718	388.1705(c)			

Revised School Code Sections:

380.1401	380.1406	380.1407	380.1408
380.1411	380.1415	380.1416	

Administrative Rules:

340.3	340.5
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Attorney General Opinions:

1976 OAG 5004	1976 OAG 5112	1979 OAG 5574	1981 OAG 5925
1981 OAG 5995	1985 OAG 6316		

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 School Aid Act Sections:

388.1606(a)	388.1606(4)(1)	388.1606(4)(m)	388.1606(4)(o)
388.1606(4)(q)	388.1606(4)(r)	388.1606(7)(a)	388.1606(7)(b)
388.1701(3)	188.1701(5)	388.1701(7)(d)	

Administrative Rules:

340.2	340.3	340.4	340.5
340.10	340.11	340.12	

4. Determine and evaluate the audit error rate according to Step 8 on page 20 and 21.
5. **Population II – Conventional Pupils Absent on All or Part of the Count Day**
Determine the total building Population II pupils (This should be on the building or program alpha list and on the count day absence list.).
- Select a sample of these pupils on a head count basis. The sample may target known risk areas.
 - Verify the residency, enrollment status, and the accuracy of the FTE computation, using the same method as for Population I pupils. Note: Foreign pupils must meet residency requirements.
 - For pupils absent from one or more classes on the count day, verify that either:
 - The pupil had an authorized, **documented**, excused absence on the count day and attended all classes claimed for membership at least once within 30 calendar days after the count day, or
 - 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 school 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

6. Determine and evaluate the audit error rate according to Step 8 on page 20 and 21.

7. Population III – Non-Conventional Pupils

***Practical note:** If a building does not have non-conventional pupils, Step 7 is not applicable. Also, only those sections for which the building has the type of non-conventional pupils need to be completed. Generally, non-conventional pupils are required to meet all the requirements of conventional pupils plus additional requirements specific to the non-conventional pupil type in accordance with the Pupil Accounting Manual.*

Determine the total building Population III pupils (This should be on the building or program alpha list).

- a. Select a sample of these pupils on a head count basis in such a manner that each Population III pupil has an equal chance of being selected. If upon selection of the sample, there are non-conventional categories that have not been represented in the sample, supplement the sample by selecting at least one pupil from each of the unrepresented categories. The sample may target known risk areas.
- b. Verify the residency 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 non-conventional pupils selected:

1A. Alternative Education Pupils

1. Alternative Education Program – General

From the population of students attending the alternative education program (There is a risk that alternative education pupils might be reported with their grade levels rather than as alternative education.) (SRSD Fields 19 and 125):

- (a) Verify that the eligible general education pupil **does not hold** a high school diploma or a GED certificate (**“hold” means “to have earned”**).
- (b) Verify that the eligible general education pupil is 16 years of age or older on September 1 of the current school year if adult education participants are enrolled in the program.
- (c) Verify that if eligible general education pupil is less than 16 years of age as of September 1 of the current year, the pupil shall not be counted for membership if there are also adult education participants being educated in the same program or classroom.

Note: The educating district counts the pupils in membership unless there is a cooperative agreement which specifies that each resident district is to count the resident pupils. However, a cooperative education program that is operated by the intermediate district and is serving general education pupils from several constituent districts must have those pupils counted in membership by the resident district for membership purposes. The intermediate school district is ineligible to count general education pupils.

2. Pupil Expelled Under Section 380.1311 or 380.1311a
See Home-Based, Section 1C below.

3. Learning Labs

From the population of a learning lab, review each sampled membership to:

- (a) Verify that the sign-in and sign-out sheets, as well as the teacher’s attendance records, documented the actual hours per week the pupil attended the learning lab and that the pupil attended the minimum number of hours scheduled and claimed.
- (b) Verify that the pupil did not generate more FTE per course than would have been generated by a pupil in a traditional classroom setting.
- (c) Verify that if eligible general education pupil is less than 16 years of age as of September 1 of the current year, the pupil shall not be counted for membership if there are also adult education participants being educated in the same program or classroom.

Regulatory References

State School Aid Act:

388.1606(4)(u-v)

388.1606(6)(i)

388.1701(**10**)

Pupil Accounting Manual:

Section 5A

Revised School Code:

380.131**1**-1311a

IDEA:

300.121(d)

1B. Cooperative Education Pupils

1. Alternative Education
See Alternative Education Program, Section 1A above.
2. Cooperative Education Program – General and Special Education

- 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.
 - (b) Verify the educating district counts the pupil in membership unless the cooperative agreement specifies that each resident district is to count the resident pupils.
 - (c) During the audit of the educating school district, verify that the FTE associated with nonresident cooperative education pupils was correctly calculated and correctly included as part of the grade-by-grade schedule of the State Aid FTE count (DS-4061) unless claimed by the resident district.
 - (d) For Special Education pupils, determine that the pupil:
 - Has not obtained a high school diploma
 - Was 16 years of age or older on September 1 of the current school year if adult education participants were enrolled in the program

Note: Pupils attending a cooperative education program operated by an ISD serving the general education pupils from several constituent districts must be counted in membership by the resident district.

3. Career and Technical Education (CTE) Program/Vocational Education Program
From the population of students attending the career and technical education program/vocational education program, review each sampled membership to:
 - (a) Verify that a written, voluntary agreement between or among the educating districts exists.
 - (b) Verify that the educating district counts the pupil in membership unless the cooperative agreement specifies that each resident district is to count the resident pupils.
 - (c) Verify that the pupil does not hold a high school diploma or GED certificate.
 - (d) Verify that the FTE was correctly calculated.
4. Nonessential Electives to Nonpublic Pupils
See Nonpublic Part-Time Pupil and Home Schooled Pupils, Section 1E below.

Regulatory References:

State School Aid Sections:

388.1603(4) 388.1606(4)(a) and (t)

388.1701(7)(d)

Revised School Code Section:

380.627

Pupil Accounting Manual:

Section 5B

1C. Home Based Pupils

1. Expelled Under Local District Policy

From the population of pupils who are home based and expelled under local district policy, review each sampled membership to:

- (a) Verify that the district provides a minimum of two nonconsecutive hours of instruction per week to the pupil under the supervision of a certificated teacher.
 - (b) Verify that credit was awarded to the pupil.
 - (c) Verify that the membership claimed is prorated and limited to the actual hours of instruction.
2. Expelled Under Mandatory Expulsion Law (SRSD Field 120)
From the population of pupils who are home based and expelled under the mandatory expulsion law (Revised School Code 380.1311(2) or 380.1311a), review each sampled membership to:
- (a) If the pupil is in an in-school program, verify through observation or inquiry that the pupil was physically separated from the general population of the school district at all times during the school day and that the program provided 1,098 hours of instruction.
 - (b) If the pupil is in a home-based program, verify that the district provided two nonconsecutive one-hour periods of instruction per week to the pupil, under the supervision of a certificated teacher.
 - (c) Verify that credit was awarded to the pupil.
 - (d) Verify that this is a mandatory expulsion.

A pupil, who was expelled under the mandatory expulsion law and has been provided the services, as described in 2 (a) and 2(b) above, may be counted for 1.0 FTE.

NOTE: The individualized program means the certificated teacher is with one pupil during the one-hour period at the pupil's home, a neutral site, or at the school. Teaching more than one pupil at a time indicates that it is not an individualized program and the FTE must be prorated.

Regulatory References:

<u>State School Aid Act Sections:</u>	<u>Revised School Code Sections:</u>
388.1606(4)(u)	380.1311
	380.1311a

1D. Homebound/Hospitalized Pupils

From the population of homebound/hospitalized pupils counted for membership, review each sampled membership to (SRSD Field 44 includes only Special Education homebound/hospitalized pupils):

1. Verify that the membership was supported by an attending physician's, hospital's, or licensed facility's certification that because of a medical condition, the pupil must be confined to the home or hospital during regular school hours for a period of longer than five school days.
2. Verify that a certificated teacher provided a minimum of two 45-minute periods of pupil instruction per week for general education pupils and a minimum of two nonconsecutive one-hour periods of instruction per week for special education pupils.

3. Verify that the teacher(s) of record recorded the pupil as being absent on the count day.

Regulatory References:

State School Aid Sections:

388.1709

Revised School Code:

380.627a

Administrative Rules:

340.5(1) 340.1746

Pupil Accounting Manual:

Section 5C

Homebound and Hospitalized Services for Public School Pupils by Michigan Department of Education.

1E. Nonpublic Part-Time Pupils and Home Schooled Pupils

From the population of nonpublic part-time and home-schooled pupils counted for membership, review each sampled membership (a complete list can be generated from SRSD Field 30):

1. Verify that the course(s) being provided were offered at the public school to the regular public school pupils in the minor's grade level or age group as part of their minimum hours of instruction.
2. Verify that the course length and grading system were similar to that of the course offered to public school pupils.
3. Verify that only non-essential elective courses for pupils in grades 1 through 12 were provided. (Note that kindergarten is ineligible.)
4. Verify that the instruction was scheduled to occur during the regular school day.
5. Verify that the instruction was provided directly by a certified teacher hired by the district or an ISD.
6. Verify that, if the district provided a certified teacher at the nonpublic site, that the nonpublic school appears on the MDE's nonpublic school membership report, is located within the boundaries of the public school district, or is located in a contiguous district and there is a cooperative agreement with that contiguous district.
7. Verify that home schooled pupils are enrolled in a curricular offering at the public site.
8. Verify that the FTE was correctly calculated.

Regulatory References:

State School Aid Act Sections:

388.1606(4)

388.1606(6)

388.1766b

Administrative Rule:

340.6(b)

Revised School Code Section:

380.1561

Pupil Accounting Manual:

Section 5E

The Nonpublic School Act:

1921 PA 302

Court Cases:

Agostini v. Felton, _____ U.S. _____, 117 S.C. 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)

1F. Part-Time Pupils

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

1. Verify that the number of instructional hours scheduled to be provided to the 1st-12th grade pupil is less than the minimum requirement (1,098 hours).
2. Consider the risk that this is a nonpublic pupil. Why is the pupil less than full time? If there is a risk that this is a nonpublic or home-schooled pupil, review the pupil's enrollment record, transcript, and other records to determine if this is a bonafide public school pupil. Refer to Section 1E above and the Pupil Accounting Manual for information on nonpublic part-time and home-schooled pupils.
3. Verify the accuracy of the district's computation of the part-time pupil's FTE.

Regulatory References:

State School Aid Act Section:

388.1606(6)(b)

Administrative Rules:

340.6 and 340.7

Pupil Accounting Manual:

Section 5F

1G. Postsecondary (Dual) Enrollment Pupils

From the population of postsecondary (state universities, community colleges, or independent non-profit degree-granting colleges or universities located within Michigan) enrollment pupils counted for membership, review each sampled membership to:

1. Verify that the pupil was enrolled in and attending at least one high school course.
2. Verify that the pupil does not hold a high school diploma or a GED certificate.
3. Verify that the district paid the required tuition for the postsecondary course(s). Attendance records might not be maintained by postsecondary institutions. A pupil is considered in attendance on the count day if he/she is enrolled on the count day and the tuition is paid by the district. Fees must also be paid for pupils enrolled under the Postsecondary Enrollment Options Act. See the Pupil Accounting Manual for exceptions.
4. Verify that 50% of the postsecondary education course or career and technical preparation course fell within the school district's academic year. (This means that a course/term that is in session more than 50% of the time while school is out on summer break is ineligible to be counted for dual enrollment purposes.)
5. Verify that the postsecondary course(s) are academic in nature or applicable to career preparation; must be toward satisfaction of degree requirements; may not be in the subject matter of hobby, craft, recreation, physical education, theology, divinity, or religious education.

Schools of choice may be audited in the desk review or field audit, depending on where the district's records are maintained. If conducting the schools of choice audit during the field audit (i.e., most commonly done this way when the district records are maintained at individual buildings), review each sampled membership to:

1. Verify that the district has a signed cooperative agreement for a sample of Section 105c Special Education pupils accepted since the last field audit.
2. Verify that the district either certified that it complied with or didn't comply with school of choice provisions in the State School Aid Act.
3. If noncompliance exists, report the noncompliance to the MDE Schools of Choice consultant for implementation of the 5% penalty.
4. If noncompliance affects the FTE, adjust the membership.

Regulatory References:

<u>State School Aid Section:</u>	<u>Attorney General Opinion</u>
388.1705	7046 February 2000
388.1705c	

1J. No additional audit testing is required for former ISD School of Choice or former Section 91 or 91a pupils.

1K. Special Education Early Childhood Programs and Services Pupils

Use the SRSD Field 9 to generate a list of pupils less than 5 years old on December 1. From the population of special education preschool pupils counted for membership, review each sampled membership to:

1. Visually verify that an IEP was on file and effective as of the count day (a sub-sample of high-risk pupils can be identified by reviewing the IEP dates in SRSD Field 38).
2. 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.
3. Verify the pupil's attendance.
4. Verify the accuracy of the FTE calculation based on the hours of enrollment and attendance.

Regulatory References:

State School Aid Act Section:

388.1606(4)(1) 388.1606(4)(aa)

Revised School Code Sections:

380.1711(1)(f) 380.1751(1)

Pupil Accounting Manual:

Section 5K

Administrative Rules:

340.4(d) 340.5(1)(j) 340.7(1) 340.7(9) 340.1754 340.1755

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.

1L. Special Education Pupil Transition Services

From the population of special education pupils, who received **work-based** transition services, review each sampled membership to:

1. Verify that the pupil was enrolled and in attendance on a scheduled school day during the count period.
2. Verify that the pupil was assigned to and under the meaningful direction and supervision of a special education teacher employed by the educating district.
3. Verify that a pupil who received Work Activity Center Services was assigned to a special education teacher, and was counted for special education membership.
4. Verify that the Work Activity Center Services was incidental to the instructional program, i.e., less than 50% of school time. If a pupil spends more than 50% of the time in a Work Activity Center Service, the time does not count toward membership, since the pupil is in the Work Activity Center primarily for therapy or employment, and not for the purpose of receiving instruction. When pupils attend school less than 50% of their time, the district will only receive membership for the time instruction is received under the direct supervision of a teacher.
5. **Verify that pupils placed with an employer (not work activity center) met the work based requirements for training agreements, training plans, credits and monitoring.**
6. Verify the accuracy of the FTE calculation

Note: For work-based learning relating to rule 340.1733(h) and (i) of the Revised Administrative Rules of Special Education 2002, please see Section 1Q, Pupils in Work-Based Education for the specific requirements of this service.

Regulatory References:

Administrative Rules:

340.1733(h)(i)

Revised School Code:

380.1284

State School Aid Act:

388.1651a(7)(a)

Federal Regulation:

34 CFR 300.29

Michigan Department of Education Policies and Interpretations: *Utilization of Noncertified Personnel Elementary and Secondary* – November 1, 1988, *Employment of Special Education Pupils*

Pupil Accounting Manual:

Section 5L

1M. **No additional audit testing is required for Split Schedule Pupils**

1N. Suspended and Expelled Pupils

From the population of suspended and expelled students counted for membership, review each sampled membership to:

1. For short-term suspensions:

- (a) Verify that the attendance book of the teacher of record shows the pupil absent from class due to suspension.
- (b) Verify that the pupil was supervised by a certificated staff member with attendance taken where the pupil was served or that the pupil returned to class within the count period.
2. For long-term suspensions or expulsions:
 - (a) Verify that attendance was taken where the pupil was served.
 - (b) Verify that pupil instruction was provided by a certificated teacher.
 - (c) Verify that instruction was academic in nature and leading to credit toward grade progression or a high school diploma.
 - (d) Verify that membership was prorated based upon the minimum required hours of pupil instruction for grades 1-12.

Note: Non-resident pupils enrolled in and attending an alternative education program, who have been suspended or expelled from the resident district may be counted for membership purposes without a release from the resident district.
3. For permanently expelled pupils:
 - (a) See the alternative education pupils guidelines, Section 1A above.
 - (b) See the home-based audit guidelines, Section 1C above.

Regulatory References:

Revised School Code:
380.1309 - 380.1313

Pupil Accounting Manual
Section 5N

State School Aid Section:
388.1606(4)(a)

10. Michigan Virtual High School and Distance Learning Pupils

There are five different populations of Michigan virtual high school and distance learning students counted for membership.

1. From the population of virtual learning courses taken by **traditional pupils at the school**, during the normal school day, as part of the pupil's class schedule with a certificated teacher present, review a sample to:
 - (a) Verify that the course was approved by the local school board and generated credit toward the pupil's diplomas.
 - (b) Verify that a certificated teacher was assigned to the virtual course and the course appeared on the pupil's class schedule.
2. From the population of virtual learning courses taken **through a community college or university as postsecondary enrollment**, review a sample to:
 - (a) Verify that all postsecondary enrollment requirements have been met. See Section 1G above.
 - (b) Verify that the pupil is concurrently enrolled and attending at least one course offered by the district in which credit is earned and regular attendance is required.
 - (c) Verify that the eligible postsecondary institution has submitted to the eligible pupil a notice indicating the course or courses and hours of enrollment of eligible pupils and a list of eligible charges.

- (d) Verify that the school district paid the eligible postsecondary institution on behalf of the eligible pupil.
- (e) Verify that 50% of the postsecondary course or career and technical preparation course fell within the school district's academic year.
3. From the population of virtual learning courses taken at a **pupil's self-scheduled time and place with no "regular daily attendance" required of the pupil**, review a sample to:
 - (a) Verify that the pupil was concurrently enrolled and attending at least one course offered by the district in which credit was earned and regular daily attendance was required.
 - (b) Verify that the pupil was enrolled and in attendance on the count day or during the 10/30-day rule period during the class time designated for the course on the pupil's class schedule.
 - (c) Verify that the district did not claim more than two virtual learning courses per semester per pupil.
 - (d) Verify that the course was approved by the local district board and generated credit toward the pupil's grade progression.
 - (e) Verify that the teacher-of-record was identified.
 - (f) Verify that an on-site mentor was assigned to the pupil who was available for assistance and monitored the pupil's progress in the virtual course. The on-site mentor must be a certificated teacher employed by the school district.
 - (g) Verify that the district paid any associated **tuition** charges for the course similar to the tuition requirement for dual enrollment as described in Section 21b of the State School Act.
 - (h) Verify the accuracy of the pupil count. The calculation is identical to pupil accounting for dual enrollment.

Note: The district may adopt additional requirements for pupils enrolled in such a class. Further, a district may choose not to offer these classes or to place greater restrictions on their pupils (e.g., high school pupils only), and/or on the courses offered; that is the local school board's prerogative.
4. For the population of virtual learning courses taken by **homebound/hospitalized** pupils with a documented medical reason for not being in regular daily attendance at school and enrolled in a virtual learning course, as described in 3 above:
 - (a) See Homebound/Hospitalized, Section 1D above. **No additional audit testing is needed.**
 - (b) This pupil received a minimum of two 45-minute periods of instruction per week (general education pupil) or two one-hour non-consecutive periods of instruction per week (special education pupil) with a certificated teacher.
 - (c) The homebound/hospitalized instruction generated a full 1.0 FTE for the pupil. Any virtual learning classes would not generate **additional** membership since each pupil's membership may not exceed 1.0 FTE.
5. For the population of virtual learning courses taken by pupils with a **"mandatory expulsion"** and enrolled in a virtual learning course, as described in 3 above:

- (a) See Home-Based, Section 1C above. **No additional audit testing is needed.**
- (b) If a pupil received individualized instruction through a home-based program, the pupil received a minimum of two one-hour nonconsecutive periods of pupil instruction per week (general education) or two one-hour non-consecutive periods of pupil instruction per week (special education) with a certificated teacher. This generates a full 1.0 FTE for the pupil. Any virtual learning classes would not generate **additional** membership.
- (c) If the pupil received instruction through an alternative education program setting in which several pupils were enrolled and receiving instruction at the same time, the pupil's membership would be pro-rated and the virtual learning classes could be counted toward that pupil's membership. See Alternative Education Program, Section 1A above.

Regulatory References:

State Aid Act Section:
388.1698(5)

Pupil Accounting Manual:
Section 5O

1P. Pupils in Work-Based Learning Experiences

From the population of work based pupils counted for membership, **in paid or unpaid work-based learning experiences through non-career and technical education (CTE) and state-approved career and technical education programs,** review each sampled membership:

- 1. **Verify that** the district had a written **training agreement** in place on the count date which included:
 - (a) Student learner's personal information: name, home address, telephone number, date of birth and emergency contact information
 - (b) School's name, address, telephone and contact person
 - (c) Employer's name, address, telephone and contact person
 - (d) **Employer, school and student learner's responsibilities***
 - (e) **Date(s) of safety instruction***
 - (f) **Beginning and end dates of agreement***
 - (g) **Daily hours to be worked, including beginning and ending times***
 - (h) Beginning wage scale, if paid.
 - (i) Verification of workers disability compensation and general liability insurance.*
 - (j) Signatures of the principal/or designee, certificated coordinator, student learner, parent/guardian, and employer.*
 - (k) **Beginning in 2008-09, assurances of nondiscrimination and compliance with federal laws.**
- 2. **Verify that** the district had a written **training plan** in place on the count date which included:
 - (a) **Verification by the certificated teacher** that the placement aligns with the pupils' career pathway contained in their educational development plan.
 - (b) **List of performance elements/job skills used to assess the pupil's progress.**
 - (c) For unpaid learners, new specific skills need to be listed for each 45-hour placement.*

- (d) Identification of related academic course(s) instruction (non-CTE and non-Special Education only) where pupil was previously or is currently enrolled.
- (e) Signatures of the principal/or designee, certificated coordinator, student learner, parent/guardian, and employer. If the training plan and training agreement are combined, one set of signatures is sufficient.*
3. The employer or coordinator maintained attendance records (i.e., time sheet signed by the employer).*
4. Work hours did not generate more than one-half of the pupil's FTE.*
5. The experience must be offered for high school credit.*
6. Certified teacher/coordinator who is employed by the district monitored the pupil's work once every 9 weeks (30 calendar days for Special Education), (i.e., log with date of visit, student name, employer name, coordinator signature).*
7. In-district/In-school placements, either:
 - (a) Pupils receiving special education services under a transition services plan may be placed in the district. Verify that a copy of the pupil's transition services plan is attached to the unpaid in-district placement agreement and directly relates to the placement.* or:
 - (b) An in-district placement can relate to a state-approved career and technical education (CTE) program. Verify that the completed in-district placement agreement identifies the program serial number (PSN).*

*A violation of this item should be reported as a specific finding with an FTE adjustment for all programs. Other issues should be reported as general findings.

Regulatory References:

Pupil Accounting Manual:

Section 5P

Youth Employment Standards Act

1970 PA 90

Administrative Rules:

340.1733(i) 340.1(5)(i) 340.1733(i) 395.371-395.376

Fair Labor Standards Act:

29 USC 201, *et seq.*

8. Using the Sample Summary and Analysis (see Attachment G), determine and evaluate each population error rate according to the following:

Errors in each population are 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 are summarized as 2 errors, although the cumulative FTE error is zero. The error rate is 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 was less than 60 and the error rate is 5% or greater, the auditor IS REQUIRED to expand the sample in increments to 25%, 40%, 55% and then 75% of the

population. If the sample error rate is **still** 5% or greater at the 75% increment, the auditor IS REQUIRED to expand to a 100% review of the population.

If the initial sample selected was 60, the auditor may stop if there **are** one or fewer errors. If there are 2 or more errors, the auditor IS REQUIRED to expand the sample in increments to 90, 180, and then 360 records 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 the population.

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

9. **Determine and document the entire building/program error rate.** 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, the auditor should 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 **report the planned sample expansion** to the Office of Audits of the Michigan Department of Education.

10. 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.
11. Draft a narrative report on the general and specific findings noted during the audit, and final FTE adjustments. Record variances noted in building audits on the FTE Adjustment Forms.
12. Update the list of items that need to be available to streamline future audits and compile a list of suggestions for improving future audits.

SECTION 5 – CONDENSED BUILDING AUDIT PROGRAM

District: _____

Building: _____ Count Day: _____

This audit program is intended to be used in reference with the Building Field Audit Procedures, Section 4. The objective of the field audit is to determine that the 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. Assess risk for the building according to Section 1 and 3.		
3. Determine that the district has a procedure to determine 75% attendance and that the district accurately implemented the procedure.		

PUPIL SPECIFIC AUDIT PROCEDURES	No. of Errors	Performed by
<i>ALL PUPILS</i>		
Residency (N/A for PSAs)		
Presence on count date		
10/30-day rule (Populations II & III)		
Enrollment		
FTE computations		
<i>ALTERNATIVE EDUCATION PUPILS</i>		
General		
<ul style="list-style-type: none"> No high school diploma or GED 16 years old if with adult participants 		
Learning Labs		
<ul style="list-style-type: none"> Sign-in sheets and teacher attendance records support minimum hours No greater FTE than traditional setting Sixteen years old if with adult participants 		
<i>COOPERATIVE EDUCATION PUPILS</i>		
General and Special Education		
<ul style="list-style-type: none"> Written voluntary agreement FTE counted by educating district General ed, no high school diploma or GED and not met age maximum Special ed pupil is under 26, over 16 if with adults and has no diploma 		

PUPIL SPECIFIC AUDIT PROCEDURES	No. of Errors	Performed by
<ul style="list-style-type: none"> FTE computation (may consider travel time) 		
Career and Technical Education		
<ul style="list-style-type: none"> Written voluntary agreement 		
<ul style="list-style-type: none"> FTE counted by educating district 		
<ul style="list-style-type: none"> No high school diploma or GED 		
<ul style="list-style-type: none"> FTE calculation 		
HOME BASED PUPILS		
Expelled under local district policy		
<ul style="list-style-type: none"> Two non-consecutive hours of instruction 		
<ul style="list-style-type: none"> Credit is awarded toward diploma 		
<ul style="list-style-type: none"> FTE prorated to actual hours 		
Expelled under mandatory expulsion law		
<ul style="list-style-type: none"> In school, pupils physically separated and received 1098 hours 		
<ul style="list-style-type: none"> Two nonconsecutive hours 		
<ul style="list-style-type: none"> Credit is awarded toward diploma 		
<ul style="list-style-type: none"> Expulsion was mandatory 		
<ul style="list-style-type: none"> FTE calculation 		
HOMEBOUND HOSPITALIZED PUPILS		
Physician certification		
Instructional hours provided		
Absent on count day		
NON-PUBLIC PART-TIME & HOME SCHOOLED PUPILS		
Nonpublic records and courses same as public school courses		
Course length and grading same		
Non-essential elective courses – grades 1-12		
Instruction during school day		
Instruction within boundaries or contiguous district with agreement		
Instruction by district employee		
On MDE non-public report		
If home schooled instruction is at public school		
FTE calculation		
PART-TIME PUPILS		
Fewer than minimum required hours are scheduled		
Is this a non-public or home-schooled pupil?		
FTE calculation		
POSTSECONDARY ENROLLMENT PUPILS		
Enrolled in one district class		
Pupil not met graduation requirements		
District paid tuition and fees (if required)		

PUPIL SPECIFIC AUDIT PROCEDURES	No. of Errors	Performed by
Class 50% within academic year		
Special requirements for electronic class		
Course is academic and allowed		
Only two courses for 5 th year pupils unless middle college		
FTE calculation		
REDUCED SCHEDULE PUPILS		
High school pupil		
Approvals – signed and dated		
Best educational interest		
FTE calculation		
SCHOOLS OF CHOICE		
Signed cooperative agreement for 105c Special Education pupils		
District compliance certification		
5% penalty		
Membership adjustments		
SPECIAL EDUCATION EARLY CHILDHOOD PROGRAMS AND SERVICES PUPILS		
Count date IEP		
Bona fide program with minimum days and hours		
FTE calculation		
SPECIAL EDUCATION PUPIL TRANSITION SERVICES		
<ul style="list-style-type: none"> • Enrolled/attendance 		
<ul style="list-style-type: none"> • Assigned to special education staff 		
<ul style="list-style-type: none"> • Work activity center assigned to Special Ed teacher 		
<ul style="list-style-type: none"> • Less than 50% of FTE 		
<ul style="list-style-type: none"> • If placed with an employer, met the work-based requirements 		
<ul style="list-style-type: none"> • FTE calculation 		
SUSPENDED AND EXPELLED PUPILS		
Short-term suspensions		
<ul style="list-style-type: none"> • Absent per teacher’s record 		
<ul style="list-style-type: none"> • Supervised by certified teacher 		
<ul style="list-style-type: none"> • Attendance where pupil served 		
Long-term suspensions		
<ul style="list-style-type: none"> • Attendance where pupil served 		
<ul style="list-style-type: none"> • Instruction by certified teacher 		
<ul style="list-style-type: none"> • Credit toward diploma 		
<ul style="list-style-type: none"> • FTE prorated 		
VIRTUAL HIGH SCHOOL & DISTANCE		

PUPIL SPECIFIC AUDIT PROCEDURES	No. of Errors	Performed by
<i>LEARNING PUPILS</i>		
Class at high school		
<ul style="list-style-type: none"> • Approved by board, credit given • Certified teacher • On pupil's class schedule 		
Community college or university		
<ul style="list-style-type: none"> • Postsecondary requirements met • Enrolled in one district course • Postsecondary institution submitted notice of course • District paid for course • 50% of course within academic year 		
Self-Scheduled time and place		
<ul style="list-style-type: none"> • Enrolled in one district course • Count date enrollment/attendance • Limited to two virtual courses • Approved by board, credit given • Teacher of record • On-site mentor certificated • Tuition paid • FTE calculation 		
Homebound hospitalized		
<ul style="list-style-type: none"> • No FTE 		
Mandatory expulsion		
<ul style="list-style-type: none"> • No FTE 		
<i>WORK-BASED EDUCATION PUPILS</i>		
Written count date training agreement		
<ul style="list-style-type: none"> • Pupil's personal information • School's information • Employer's information • Employer, school, pupil's responsibilities* • Date(s) of safety instruction* • Beginning and end dates of agreement* • Daily hours to be worked, including beginning and ending times* • Beginning wage scale, if paid • Workers disability compensation and general liability insurance* • Required signatures* • Starting in 08-09, nondiscrimination assurances 		
Written count date training plan		

PUPIL SPECIFIC AUDIT PROCEDURES	No. of Errors	Performed by
<ul style="list-style-type: none"> • Placement aligns with pupils' career pathway contained in the EDP 		
<ul style="list-style-type: none"> • Performance elements/job skills used to assess the pupil's progress* 		
<ul style="list-style-type: none"> • For unpaid learners, new specific skills need to be listed for each 45-hour placement* 		
<ul style="list-style-type: none"> • Related instruction (non-CTE and non-Special Education only)* 		
<ul style="list-style-type: none"> • Required signatures* 		
Attendance records*		
Hours not more than one-half FTE*		
Credit toward a high school diploma*		
Monitored every 9 weeks (30 days for Special Education) by certified teacher who is employed by the district*		
In-district/In-school placements, either:		
<ul style="list-style-type: none"> • Pupil's transition services plan attached to an unpaid in-district placement agreement* or 		
<ul style="list-style-type: none"> • In-district placement agreement MUST identify the program serial number (PSN) and relate to a state-approved career and technical education (CTE) program* 		

*A violation of this item should be reported as a specific finding with an FTE adjustment for all programs. Other issues should be reported as general findings.

ADJUSTMENTS: Any changes to membership claims made to this building/program due to this audit are itemized on the FTE Adjustment Form.

CONCLUSION:

I(We) have performed procedures sufficient to achieve the audit objectives identified on this program and have adequately documented the audit procedures performed.

Name _____ Date _____

Name _____ Date _____

Name _____ Date _____

SECTION 6 – AUDIT REPORTS, REPAYMENTS, AND APPEALS

Audit Report

- A. An ISD or CPA pupil membership audit narrative report must be submitted to the audited district's superintendent and the MDE Office of Audits. The final audit narrative report is a public record and is available to any interested party. An audit narrative format is provided in Appendix F. Instructions for the automated audit narrative are provided in Appendix D. According to Section 18 of the State School Aid Act, the narratives are due to the Department on November 15 after the close of the school year. For example, the September 2007 and February 2008 narratives are due on November 15, 2008.
- 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 count date of the prior field audit; 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* for the purpose of ensuring compliance with the *Pupil Accounting 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 adjustment) and a recommendation.
 5. Contain the specifics of FTE changes such as student name, course, and the reason for questioning the membership (see Appendix C). This shall be reconciled and tied into the DS-4120 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 at the state level. ISDs may offer an informal appeal process. The district may 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 that 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 or ISD's decision on the informal appeal. 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 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, 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 7 – 75% ATTENDANCE AND HOURS OF INSTRUCTION

The DS-4168 review is to be completed for the prior year and is commonly completed in August.

- A. Verify that the local school district has building level and district level procedures to verify that at least 75% of the pupils scheduled for instruction were in attendance on scheduled days counted. Test the procedure for the most recently completed school year. Contact the Office of State Aid and School Finance with exceptions.
- B. 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 concludes 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.

BUILDING RISK ASSESSMENT FORM – FOR ISD FIELD USE

Appendix A.1

District: _____ Building: _____
 School Year: _____ Count (check): _____ Fall _____ Spring
 Completed by: _____ Audit Date: _____

Instructions: This form may be used to document the assessment of risk of those buildings/programs that will be field audited. Generally, the higher potential for errors, the higher the risk that the pupil membership count is not accurate. Consider the risk factors listed below (High [H], Moderate [M], Low [L]), and place a check in the space beside the factors that significantly influence the risk for the audit area.

	Risk Factor			Comments
	H	M	L	
1. The results of the prior field and desk audits. (Error rates over 5% are high risk.)				
2. The effectiveness of district count procedures and controls (Detailed procedures generally provide a lower risk.)				
3. The experience of district personnel assigned to process pupil count data (per Local District Planning Form). (Experienced staff generally provides a lower risk.)				
4. The frequency of pupil absenteeism noted during the count period. (High absenteeism generally reflects a higher risk.)				
5. The number of non-conventional pupils attending the building. (Larger population of non-conventional pupils reflects a higher risk.)				

Based on the forgoing considerations, the risk for this building is assessed as follows:	Overall Risk Assessment		
Building Risk Assessment	High	Moderate	Low
Pop I – Conventional pupils present on count day			
Pop II – Conventional pupils absent on all or part of county day			
Pop III – Non-conventional pupils			

Building Risk Assessment – Percentages	High	Moderate	Low
Pop I – Conventional pupils present on count day	15%	10%	2%
Pop II – Conventional pupils absent on all or part of count day	20%	15%	10%
Pop III – Non-Conventional pupils	20%	15%	10%

LOCAL DISTRICT PLANNING FORM

District: _____ Count: _____
Updated for: _____

This form should be completed or UPDATED for each membership count. It should be prepared by program staff and forwarded to the auditor for use in planning the remainder of the field audit.

1. Identify the key program personnel involved in the pupil membership count, including the individual whom the auditor should contact to make arrangements for the fieldwork.

NAME	TITLE	LOCATION	PHONE	YEARS IN POSITION

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. One major purpose of the planning form is to provide the auditors with information about any significant changes that would affect completion of the audit. Following is a checklist of common items. Please indicate if there have been any significant changes and attach documentation as applicable.

- _____ Written procedures for ensuring a complete and accurate pupil count
- _____ Program locations or types of program categories
- _____ Systems (automated/manual) for maintaining enrollment and attendance records
- _____ Continuity in key pupil membership count positions
- _____ Participation in cooperative agreements with other local programs
- _____ Record retention procedures and practices (minimum of three year retention)
- _____ Procedures to ensure that administrative personnel document in writing their review of the completed program alpha lists, including a representation that all program documentation is on file in accordance with state laws
- _____ Training of new staff without experience in membership accounting rules and procedures

Completed by:

Name: _____

Title: _____

Date Completed: _____

Updated by:

Name: _____

Title: _____

Date Completed: _____

Updated by:

Name: _____

Title: _____

Date Completed: _____

Updated by:

Name: _____

Title: _____

Date Completed: _____

Exit Status, Drop Out Rate and Graduation Rate Audits

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Effective April 1, 2008

INTRODUCTION

Section 18(7) of the State School Aid Act requires an audit of pupil exit statuses and other pupil data used in calculating annual graduation and pupil dropout rates.

This is a temporary procedure to be used until the implementation of the Student Data System (SDS), expected in the fall of 2009. At that time, the GAD audit procedures will be discontinued and the other audit procedures will be reformatted to complement the SDS.

Audits of the GAD, 2007 and 2008 Cohorts

The Graduation/Dropout Review and Comment (GAD) system permits districts to request changes to records and to view audit changes. This system will be opened in April 2008 and 2009 for districts to request after-the-fact changes in 2007 and 2008 cohort pupils' exit statuses. Districts will be expected to provide documentation supporting each change to the ISD auditors who will review the documentation and either approve or deny the changes. The auditor will either approve or deny the changes during April and May of each year. Districts are responsible for pulling the reports to review their data. The auditors' findings will be reported in the GAD system which the districts will be able to view.

Audits of End of Year and End of Summer submissions for the graduating cohorts

The end of summer (EOS) submission will collect summer graduates and will replace the submission of summer graduates in the fall collection. Due to the timing of EOY and EOS submissions and ISD field audits of high schools, these populations will be audited if statistical analysis reveals that the district's submission exceeds preset thresholds in any exit status category. If the district's submission exceeds preset thresholds, CEPI will prepare an alpha list of the pupils by building for any outlier exit statuses. These audits are due October 31.

Audits of SRSD submissions

This includes the September, February and end of year (EOY) submissions. These audits will be performed along with the pupil membership audits for that submission, using the same rotation schedule as the high school field audit schedule. High school pupil's exit statuses will be audited as part of the field audit for the high school. These audits will include the previous year EOY submissions for 9th, 10th and 11th grades. Because there isn't an EOY pupil count, the auditor will include the most recent EOY submission in the field audit of the September or February submission.

Audits of SRSD submissions exceeding preset thresholds

The rotation schedule will result in most of the SRSD submissions being unaudited. In order to provide assurance for the unaudited submissions, CEPI will analyze submissions and identify district's whose exit statuses exceed preset thresholds. If a district's submission exceeds preset thresholds, CEPI will prepare an alpha list of the pupils by building for the outlier exit statuses. ISD auditors will audit these threshold reports regardless of whether a field audit is scheduled.

Technical Summary

Following is a summary of the audit process and reporting of findings over the next year for the 2008, 2009, 2010, 2011 cohorts:

1. CEPI will update the GAD application after each submission to reflect current cohort status for each of the cohort classes.
2. ISD auditors will be given year-round access to the GAD.
3. The GAD will be opened in April 2008 and 2009 for districts to make changes in the 2007 and 2008 cohort pupils' exit statuses.
4. An audit finding function is currently available in the GAD, in which the ISD auditor can select the student and then enter an audit finding for that student. ISD auditors will be able to remove findings if districts provide them with the appropriate documentation to substantiate a change.
5. Other than in April 2008 and 2009, districts will have read-only access to the GAD to review audit findings and review their cohort reports.
6. Districts will be expected to make changes in the SRSD based on the audit findings.
7. For the 2008 cohort, CEPI will compare final student exit status as reported in the SRSD as compared to what ISDs entered in the audit findings.

SECTION 1 – AUDITS OF THE GAD 2007 AND 2008 COHORTS

The Graduation/Dropout Review and Comment (GAD) system permits districts to request changes to records and to view audit changes. This system will be opened in April 2008 and 2009 for districts to request after-the-fact changes in 2007 and 2008 cohort pupils' exit statuses. Districts will be expected to provide documentation supporting each change to the ISD auditors who will review the documentation and either approve or deny the changes during April and May. Districts are responsible for pulling the reports to review their data. The auditors' findings will be reported in the GAD system which the districts will be able to view.

The pupils for whom the district requested after-the-fact changes in the pupils' exit statuses via the GAD application are considered high risk pupils for audit purposes.

CEPI first provided cohort reports to districts in November 2006. As of February 2008, the districts have received 3 cohort reports and have had the opportunity to submit corrections through the SRSD. The Graduation/Dropout Review and Comment (GAD) system will permit districts to request changes to records and to view audit changes starting in April 2008. Districts are responsible for pulling the reports to review their data. The ISD determinations will be reported in the GAD system which the districts will be able to view.

Audit steps

1. ISD auditors should make arrangements with the district person making the GAD corrections to ensure that he/she submits documentation supporting each change or make other arrangements to review the district's documentation.
2. Beginning April 1, pull the attached "Pending Approval List" from the GAD. Districts can continue to submit requests through April 30, at which time change requests will no longer be accepted.
3. Review supporting documents for all exit status changes for compliance with the Table of Acceptable Exit Status Documentation.
4. On or before May 31, disapprove those without acceptable supporting documentation and select a reason from the drop down menu in the comment section.
5. On or before May 31, approve changes that are supported with acceptable documentation. Auditors may add comments such as, "the documentation reviewed."
6. From the GAD, pull the alpha report that lists the pupils approved, denied, and the reason by building. As a courtesy, provide that to the district.
7. Any appeals will be included in the school report card appeal process.

Note: If this audit is performed by an audit firm rather than the ISD auditor, the ISD will provide the firm with the necessary GAD reports and will enter the audit results into the GAD system. Audit firms should request this data timely.

SECTION 2 – AUDITS OF END OF YEAR AND END OF SUMMER SUBMISSIONS FOR
THE GRADUATING COHORT

The end of summer (EOS) submission will collect summer graduates and will replace the submission of summer graduates in the fall collection. Due to the timing of EOY and EOS submissions and ISD field audits of high schools, these populations will be audited if statistical analysis reveals that the district's submission exceeds preset thresholds in any exit status category. If the district's submission exceeds preset thresholds, CEPI will prepare an alpha list of the pupils by building for any outlier exit statuses. This population is considered high risk.

Audit steps

1. Randomly select a representative 20% sample of pupils for testing. CEPI will provide an alpha list by building by exit statuses exceeding the preset threshold to be used for pulling the sample. Provide the sample list of pupils to the district and request supporting documentation.
2. Review supporting documents for compliance with the table of Acceptable Exit Status Documentation.
3. Determine the error rate. If it is above 5%, pull an additional 10% sample and test. Continue this process until the cumulative error rate is 5% or lower or all records on the threshold report are reviewed.
4. Prepare a report listing those pupils without acceptable supporting documentation and provide the correct exit status based on the definitions in the SRSD manual. (Form to be provided by CEPI) Submit that report to the district and to CEPI. These audits are due October 31.
5. Appeals should be directed to the Office of Educational Assessment and Accountability.

Note: If this audit is performed by an audit firm rather than the ISD auditor, the ISD will provide the firm with the necessary threshold reports. Audit firms should request this data timely.

Note: Due to the high risk nature of this population, ISD auditors may choose to audit it even if the district's submission does not exceed thresholds.

SECTION 3 – AUDITS OF SRSD SUBMISSIONS

This includes the September, February and end of year (EOY) submissions. These audits will be performed along with the pupil membership audits for that submission, using the same rotation schedule as the high school field audit schedule. High school pupils exit statuses will be audited as part of the field audit for the high school. The exit statuses reported in that submission and the most recent EOY submission are subject to audit. These audits will include the previous year EOY submissions for 9th, 10th and 11th grades. Because there isn't an EOY pupil count, the auditor will include the most recent EOY submission in the field audit of the September or February submission. The audit of the current graduating cohort EOY submission is limited to those that exceed preset thresholds. See Section 2 of this manual.

This population includes both low risk and high risk exit statuses. Graduation and completion exit statuses are considered low risk and will be audited similar to Population I pupil audits. Exit statuses in which pupils leave the district without graduating or completing but are exempt from being counted as dropouts are considered high risk. These high risk pupils will be audited similar to Population III pupil audits.

Graduates and completers

These are pupils that the district reported that graduated or completed with the following exit statuses:

Definition	Exit Status
Graduated from general education with a diploma	01
Graduated from general education with a diploma and applied to a degree-granting college/university	02
Graduated from an alternative program with a diploma	03
Graduated from general education and applied to a non-degree-granting institution	04
Completed general education with an equivalency certificate (GED)	05
Completed general education with other certificate (e.g., certificate of attendance, district competency test)	06
Received special education certificate of completion and exited the kindergarten through 12 th grade (K-12) system	20
Special education – reach maximum age and exited the K-12 system	21

Audit steps for graduates and completers

1. Randomly select a representative 2% sample of pupils for testing. The sample should be selected from exit statuses for the count date being audited as well as exit statuses from the most recent end of year submission. CEPI will provide an alpha list by building by exit status for both populations to be used for pulling the sample. Provide the list to the district and request supporting documentation.
2. Review supporting documents for compliance with the Table of Acceptable Exit Status Documentation.

3. Determine the error rate. If it is above 5%, pull an additional 10% sample and test. Continue this process until the cumulative error rate is 5% or lower or all graduate and completer records are reviewed.
4. Prepare a report listing those pupils without acceptable supporting documentation and showing the correct exit status based on the definitions in the SRSD manual. (Form to be provided by CEPI) Submit that report to the district and to CEPI.
5. These audits are due in accordance with the schedule set by the SRSD submission (e.g. same time as the DS4120, fall SRSD audit due in March).
6. Appeals should be directed to the Office of Educational Assessment and Accountability.

Note: If this audit is performed by an audit firm rather than the ISD auditor, the ISD will provide the firm with the necessary CEPI reports. Audit firms should request this data timely.

Exempt Pupils

These are pupils that are “exempt” from the graduation rate calculation, that is, the district reported as the following exit statuses:

Definition	Exit Status
Moved out of state	09
Deceased	12
Enrolled in home school	14
Enrolled in non-public school	15

Audit steps

1. Randomly select a representative 10% - 20% (based on a risk analysis) sample of pupils from each category for testing. The sample should be selected from exit statuses for the count date being audited as well as exit statuses from the most recent end of year (EOY) submission. CEPI will provide an alpha list by building by exit status for both populations to be used for pulling the sample. If a pupil has had more than one exit status and the pupil’s exit status has changed between submissions, audit the most recent exit status. Provide the sample list of pupils to the district and request supporting documentation.
2. Review supporting documents for compliance with the table of Acceptable Exit Status Documentation.
3. Determine the error rate. If it is above 5%, pull an additional 10% sample and test. Continue this process until the cumulative error rate is 5% or lower or all exempt records are reviewed.
4. Prepare a report listing those pupils without acceptable supporting documentation and provide the correct exit status based on the definitions in the SRSD manual. (Form to be provided by CEPI) Submit that report to the district and to CEPI.
5. These audits are due in accordance with the schedule set by the SRSD submission (e.g. same time as the DS4120, fall SRSD audit due in March).
6. Appeals should be directed to the Office of Educational Assessment and Accountability.

Note: If this audit is performed by an audit firm rather than the ISD auditor, the ISD will provide the firm with the necessary CEPI reports. Audit firms should request this data timely.

SECTION 4 – AUDITS OF SUBMISSIONS EXCEEDING PRESET THRESHOLDS

The rotation schedule will result in most of the SRSD submissions being unaudited. In order to provide assurance for the unaudited submissions, CEPI will analyze submissions and identify district's whose exit statuses exceed preset thresholds. If a district's submission exceeds preset thresholds, CEPI will prepare an alpha list of the pupils by building for the outlier exit statuses. ISD auditors will audit these threshold reports regardless of whether a field audit is scheduled. This population is considered high risk.

Audit steps

1. Randomly select a representative 20% sample of pupils for testing. CEPI will provide an alpha list by building by exit statuses exceeding the preset threshold to be used for pulling the sample. Provide the sample list of pupils to the district and request supporting documentation.
2. Review supporting documents for compliance with the table of Acceptable Exit Status Documentation.
3. Determine the error rate. If it is above 5%, pull an additional 10% sample and test. Continue this process until the cumulative error rate is 5% or lower or all records on the threshold list are reviewed.
4. Prepare a report listing those pupils without acceptable supporting documentation and provide the correct exit status based on the definitions in the SRSD manual. (Form to be provided by CEPI) Submit that report to the district and to CEPI.
5. These audits are due in accordance with the schedule set by the SRSD submission (e.g. same time as the DS4120, fall SRSD audit due in March).
6. Appeals should be directed to the Office of Educational Assessment and Accountability.

Note: If this audit is performed by an audit firm rather than the ISD auditor, the ISD will provide the firm with the necessary threshold reports.

ACCEPTABLE EXIT STATUS DOCUMENTATION

Exit Status	Definition	Allowable Documentation
01, 02, 03, 04, 05, 06, 20, 21	Graduated or completed	<ul style="list-style-type: none"> • Official transcript or diploma. • Official alpha list of graduates/completers from the student management software which includes pupil's name, UIC, date of birth and SRSD completion status. Sorted by building, then by completion status then by pupil's last name.
09	Moved out of state.	<ul style="list-style-type: none"> • Request for the pupil's records (on official letterhead) from an out of state school, • Pupil withdrawal form signed by the parent/guardian or qualified student and authorized district representative indicating where pupil is moving or name of school district the pupil will attend. • Written contemporaneous documentation of an oral statement by the parent/guardian or qualified student signed and dated by an authorized district representative (can be a log.) • Written contemporaneous documentation of an oral statement by a neighbor, parent's employer or colleague or other adult that would have knowledge of the family's move (can be a log.)
12	Deceased	<ul style="list-style-type: none"> • Confirmation from student management software that student is listed as deceased in the software. • Obituary, other newspaper article. • Program from the funeral/memorial service. • Written statement from the parent or guardian. • Death certificate.
14	Enrolled in home school	<ul style="list-style-type: none"> • Written parental statement. • Pupil withdrawal form signed by the parent/guardian or qualified student indicating pupil is being home schooled. • Written contemporaneous documentation of an oral statement by the parent/guardian or qualified student signed and dated by an authorized district representative (can be a log.) • Parental record request. • Statement by attendance officer (truancy officer.)

15	Enrolled in non-public school	<ul style="list-style-type: none">• Written request for the pupil's records from a nonpublic school.• Pupil withdrawal form signed by the parent/guardian or qualified student indicating name of nonpublic school the pupil will attend.• Written contemporaneous documentation of an oral statement by the parent/guardian or qualified student signed and dated by an authorized district representative (can be a log.)
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