


Accounting & Auditing Alert FY 2020-21

Please share this Accounting and Auditing Alert with superintendents, business managers, program office personnel, and food service personnel. Unless otherwise noted, all information applies to the school's fiscal year 2020-21.

The Michigan School Auditing Manual has been updated for the 2020-21 fiscal year. It should be noted that the compliance supplements provided in the manual are not all inclusive. Consult the Office of Management and Budget (OMB) Compliance Supplement (revised annually) for additional program requirements.

The Michigan Public School Accounting Manual is available at: [Michigan Public School Accounting Manual Website Link](#). Questions regarding accounting issues may be addressed to Christopher May at 517-335-1263, or e-mail: mayc@michigan.gov

The Michigan School Auditing Manual is available at: [Michigan School Auditing Manual Website Link](#). Questions about single audits or the *Michigan School Auditing Manual* can be directed to Gloria Suggitt at 517-241-2225, or e-mail: suggittg@michigan.gov

MANDATORY ELECTRONIC FILING OF SCHOOL DISTRICT AUDITS

1. The Michigan Department of Education (MDE) requires electronic filing of school district audits in the Department of Treasury format. This format requires one document containing the financial statements, single audit (if required), corrective action plan as a separate page on school district letterhead, and management letters.
2. The document must be less than **4MB** in size and submitted to MDE without any type of security/password protection. The system will automatically add security to each audit as it is saved. The documents will be searchable, but locked.
3. The Federal Audit Clearinghouse (FAC) uses Microsoft Excel as the application for Data Collection Forms (DCF). Convert the document to PDF before submitting. MDE will not require the district to submit the Data Collection Form with the audit reporting package submission. The district or the district's auditor should notify MDE that the audit has been certified at the FAC and the MDE auditor will retrieve the Data Collection Form from the FAC website.
4. All school district audits are required by the State School Aid Act MCL 388.1618 to be submitted by November 1 to MDE-FinAudit@michigan.gov. Failure to submit the school district audit by the due date may result in the withholding of State School Aid until the next payment after the date of the audit submission.

5. The Michigan Department of Health and Human Services (MDHHS) has joined with MDE and Treasury in the electronic audit submission. Districts need no longer submit a separate copy of the audited financial statements to MDHHS. Districts will submit one copy to the MDE-FinAudit@michigan.gov address to meet the audit requirement for all three departments.
6. School district audited financial statements will no longer be available from the MDE website. School districts are required to post their financial statements at the individual school district website or **through a link on its intermediate district's website homepage**. We apologize for this inconvenience.

For guidance on electronic filing of audits, see: [MDE Guidance on Electronic Filing Website Link](#)

COVID-19 GUIDANCE

There are many questions regarding the reporting and auditing of funds received in response to the COVID-19 Pandemic. Many of those questions will be answered as guidance is provided by the Federal Office of Management and Budget (OMB). Below is the information that is available at the current publishing of this manual. Below are several FAQs as of May 12, 2020. As additional information becomes available, it will be passed on to all school districts and their audit firms.

Elementary and Secondary School Emergency Relief Fund (ESSER)

The purpose of the Elementary and Secondary School Emergency Relief Fund is to provide Local Education Agencies with emergency relief to address the impact COVID-19 has had, and continues to have, on elementary and secondary schools. This includes both continuing to provide educational services while schools are closed and developing plans for a return to normal operations. Local Education Agencies may elect to reserve some funds for future expenses or needs, as Local Education Agencies may be unable to predict future COVID-19-related needs or expenses (i.e., winter 2020 or spring 2021).

Local Education Agencies that receive Elementary and Secondary School Emergency Relief Fund (ESSER I, EQUITY I and GEER I) money must provide equitable services to students and teachers in nonpublic schools located within the Local Education Agency as required under Elementary and Secondary Education Act Section 1117. Local Education Agencies must engage in timely and meaningful consultation with representatives of nonpublic schools. United States Department of Education (USED) says further guidance on equitable services for Local Education Agencies is forthcoming.

Grant funding is based on the following formula requirements:

At least 90 percent of Elementary and Secondary Emergency Relief funds will be awarded to Local Education Agencies, to be distributed at the same proportional share as FY 2019 Title I, Part A funds. The funds may be used by elementary and secondary schools to address the impact of COVID-19, including the provision of remote learning while schools and campuses remain closed, as well as developing plans to reopen. ESSER II and ESSER III funds are based on Title I, Part A 2020/2021 allocation, PRIOR to Hold Harmless Provision.

CARES Act Funding:

- MDE has created an email address to respond to questions: MDE-CARES@michigan.gov. All questions regarding CARES funding should be sent to this address.
- Grant Award Notices were sent out to districts. The end date of the availability of these funds is 9-30-2021. The funds may be used through 9-30-2022 if the district completed application and budget in MEGS +. The additional twelve months is aligned with the Tydings Amendment and guidance is non-regulatory by USED at this time. This also applies to ESSER II and ESSER III.

The funds may be spent on 12 different activities, including anything in ESEA. However, executive salaries are excluded.

CORONAVIRUS RELIEF FUNDS (CRF)

Coronavirus Relief Funds (CRF) are federal “other financial assistance”, with state-level usage for per-pupil payments to school districts and other childcare funding authorized by Michigan Public Acts 123 and 146 of 2020. CRF funds may only be used to cover costs that:

- are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the state or government; and
- were incurred during the period that begins on March 1, 2020 and ends on **December 31, 2021** (deadline extended in December 2020 federal stimulus package).

A Frequently Asked Questions (FAQ) document (now part of the [Federal Register](#)) pertaining to CRF funds was published by the U.S. Department of Treasury. Specific to school districts, FAQ #53 clarifies:

... payments from the fund may be used to cover costs associated with providing distance learning (e.g., the cost of laptops to provide to students) or for in-person learning (e.g., the cost of acquiring personal protective equipment for students attending schools in-person or other costs associated with meeting Centers for Disease Control guidelines).

This guidance also addresses the topic of expenditure documentation:

Treasury recognizes that schools are generally incurring an array of COVID-19-related expenses to either provide distance learning or to re-open. To this end, as an administrative convenience, Treasury will presume that expenses of up to \$500 per elementary and secondary school student are eligible expenditures, such that schools do not need to document the specific use of funds up to that amount.

MDE interprets this guidance to indicate that districts are not required to maintain documentation related to their use of CRF up to \$500 per pupil, although doing so is encouraged as a best practice and part of sound internal controls. Districts receiving CRF funds through other sources, including flowthrough from city and county governments, should be mindful of this threshold. CRF payments in excess of \$500 per pupil are not subject to this presumption, and documentation may be required.

Absent a federal requirement to document specific uses of CRF, districts are still subject to the state-level requirement to account for expenditures of these restricted funds using the appropriate grant codes. As part of MDE's monitoring process, expenditure data submitted in the Fiscal Year 2020-21 financial information database (FID) will be checked for consistency with records of CRF payments processed by MDE.

Coronavirus Relief Funds (CRF) also includes a childcare component which is additionally described in the Michigan School Auditing Manual. Recipients of CRF grants from the Office of Child Development & Care (CDC) were determined to be beneficiaries not subrecipients. Because the CDC grant recipients are not subrecipients, expenditures by the beneficiaries should not be included on the district's SEFA.

Additional information regarding accounting and auditing for these funds can be found in the Coronavirus Relief Funds (CRF) section of the [Michigan School Auditing Manual](#), [Financial Accounting Guidance During the COVID-19 Pandemic](#) and the [Michigan Public School Accounting Manual](#).

COMPLIANCE AND YELLOW BOOK UPDATES

- The 2020 Compliance Supplement may be found at: [2020 Compliance Supplement Website Link](#). The 2020 Compliance Supplement Addendum may be found at: [2020 Compliance Supplement Addendum Website Link](#).

- OMB 2 Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly called Uniform Guidance, electronic version (current as of August 13, 2020) may be found at: [2 CFR Part 200 Website Link](#).
- The Yellow Book was last revised in 2018. The 2018 Yellow Book may be found at: [Yellow Book Website Link](#).

COMMON OFFICE OF FINANCIAL MANAGEMENT REVIEW ISSUES

Please review the guidance and requirements for the following areas found in the Michigan School Auditing Manual in the included linked pages.

1. [Corrective Action Plans](#)
2. [Bonus Commodities Reporting](#)
3. [Certified Public Accountant \(CPA\) Peer Review](#)
4. [Audits Reporting Federal Revenue > \\$750,000 With No Single Audit](#)
5. [Uniform Budgeting and Accounting Act \(UB&AA\)](#)

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT #84 – FIDUCIARY ACTIVITIES

GASB Statement #84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 deadlines were delayed one year. For Michigan schools, all schools are required to have adopted these deadlines for the fiscal year ended June 30, 2021.

For Michigan school districts, implementation of this statement will primarily affect funds previously held in Agency Funds (6x). Funds previously considered custodial in nature, such as funds belonging to student groups, could potentially need to be moved to a governmental fund. Statement #84 also addresses Private Purpose Trust Funds, which are held by some school districts.

Additional information and guidance regarding this Statement is available in [Section II E.18 of the Michigan Public School Accounting Manual](#).

FINANCIAL DATA CONSISTENCY

Please be sure that balances are consistent in financial data submitted to the State. Audit figures should match FID figures; special education reposting should also match FID figures. The financial data on the Schedule of Expenditures of Federal Awards (SEFA) should balance and should agree with the financial statements. Beginning accrued/unearned revenue balance should match the prior year ending accrued/unearned revenue balances. Beginning in 2017-2018, Section 18(10) of the State School Aid Act states that "if the department determines that the financial data required under subsection (5) are not consistent with the audited financial statement, the department shall withhold all state school aid due to the district or intermediate district under this article..."

Additional attention should be given to the consistency of fund balance and federal revenue figures between the Financial Information Database (FID) and audited financial statements.

FINANCIAL INFORMATION DATABASE

The comprehensive annual financial data will be collected electronically via the FID. The audit and the FID are due by November 1. Sections 18(4), 18(5), and 18(10) of the State School Aid Act set the legal mandate for this reporting and require MDE to withhold state school aid payments for non-compliance. Additionally, Section 18(10) sets the legal mandate for the withholding of state school aid payments if inconsistency exists between the audit and FID data. The FID can be accessed at www.michigan.gov/cepi.

IMPORTANT REMINDERS

1. **Early Warning Indicators**-Early Warning Legislation was enacted July 7, 2015 to address districts and public school academies with early warning indicators of financial stress. See [Michigan Department of Treasury Fiscal Accountability Website](#) for more information.
2. **Deficit Fund Balance**-See the [MDE Deficit District Information Website](#) and the [Michigan School Auditing Manual](#) for more information.
3. **Transfer From General Fund To Capital Projects and Debt Service**-Section 18 of the State School Aid Act allows for the transfer of not more than 20% of total State Aid to either the Capital Projects fund or the Debt Retirement fund for debt service. See [Section 18 of the State School Aid Act](#) for additional information.
4. **Accounting for the Recovery of Indirect Costs**-The *Michigan Public School Accounting Manual, Section II, E.03* includes a discussion on accounting for the recovery of indirect costs. It may be found at the following URL: [Michigan School Accounting Manual Section II Website Link](#). In addition, guidance related to determining the indirect cost rate and how it may be used is available at: [MDE Indirect Cost Rates Website Link](#).

5. **Accounting for State School Aid Revenues**-The account codes for all revenues received through the State School Aid Act may be found at: [Link to Account codes for all revenues received through the State School Aid Act.](#)
6. **Maintenance of Effort (MOE)**-The Office of Financial Management, State Aid and School Finance Unit calculates the ESEA Maintenance of Effort for all Michigan public schools. The data is available on the MDE website at: [MDE Maintenance of Effort Website Link.](#)
7. **Budget Posting to District's Website**-Language in Section 18(2) of the State School Aid Act requires local districts, intermediate districts and public school academies to post their annual operating budget and subsequent amendments on their website. Guidelines for this reporting may be found in the *Michigan Public School Accounting Manual*, Section II, C.05 at: [Michigan Public School Accounting Manual Section II Website Link.](#) The MDE Guidance related to Budget Transparency Reporting Requirements may be found at: [MDE Budget Transparency Website Link.](#)
8. **Schedule of Expenditures of Federal Awards Provided to Subrecipients**-Required by MDE. See the [Michigan School Auditing Manual](#) for additional information.
9. **Food Service Indirect Costs**-All direct costs, excluding the cost of food for food services and items for resale (straw, napkin, Styrofoam container), are subject to the approved unrestricted indirect cost rate. The Office of Financial Management, State Aid and School Finance Unit calculates the indirect cost rate based on the prior two years. See the [Michigan School Auditing Manual](#) for more information.
10. **Fraud Illegal Acts, Contract Violations, Grant Violations, Abuse**-The Yellow Book requires auditors to report known or likely fraud, illegal acts, and violations of provisions of contracts or grant agreements or abuse directly to parties outside the audited entity in certain circumstances. See the [Michigan School Auditing Manual](#) for more information.
11. **Budget Detail For Consolidated Application Programs**-July 1 through September 30 (overlap/summer school period). See the [Michigan School Auditing Manual](#) for more information.
12. **Obligation Date For Consolidated Application Programs**-Submit before July 1 to receive a July 1 obligation date. See the [Michigan School Auditing Manual](#) for more information.