

Michigan Department of Education

Office of Educational Supports

RAG Fiscal Monitoring

Introduction

The Michigan Department of Education (MDE) is required to conduct fiscal monitoring on entities that have received federal awards.

- Every Student Succeeds Act (ESSA) of 2015
- General Education Provisions Act (GEPA) - Section 440
- 200 CFR, Part 501 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

Fiscal monitoring involves reviewing the financial management and expenditures of federal grant funds awarded to educational institutions. Specifically, fiscal monitoring ensures that these funds are used appropriately, in compliance with federal regulations, and for authorized purposes.

Risk Analysis

MDE conducts Fiscal Monitoring on an annual basis. Entities for monitoring are selected based on the following criteria.

- Risk Factors Assessment ([2 CFR 200.518](#), [2 CFR 200.519](#))
- Grant Allocation Amount [2 CFR 200.501](#)
- Length of Time Since Last Fiscal Monitoring [2 CFR 200.504](#)
- Final Expenditure Report (FER) Deviations [2 CFR 200.507](#)
- Entities Annual Single Audit Findings [2 CFR 200.507](#)
- Additional areas the MDE reviews
 - Number of Days Grant Allocation in entities Possession
 - Grant Funds Available
 - Grant Funds Drawn
 - Grant Funds Underspent

Fiscal Monitoring Sections

MDE reviews the following sections to ensure that RAG funds are used appropriately, in compliance with federal regulations, and for authorized purposes.

- Staffing, Time and Effort, and Payroll Expenditures
- Policies and Procedures
- Cash Management
- Budget
- Final Expenditure Reports (FERs)
- General Expenditures
- Purchased Services
- Equipment

Fiscal Monitoring Procedures

A Fiscal Monitoring notification letter is sent to selected entities requesting the following documentation:

- Completed Questionnaire
- A list of RAG-funded staff, name, position title, FTE
- General Ledger/Expenditure Report
- An inventory of RAG-funded equipment purchased (if applicable)
- Internal procedures manual for federal grant management

MDE schedules a Fiscal Monitoring Review Introduction webinar for all selected entities to attend.

The MDE reviews the initial requested documentation. Additional detailed documentation samples will be requested in the following areas as appropriate:

- Expenditure transactions for General Ledger/Expenditure Report
 - Invoices, quotes, and/or other expenditure documentation
 - Expenses charged to the RAG general ledger in the same way they are pre-approved in the application
- Time and effort for RAG-funded positions
 - Verify that time and effort documentation has been completed, signed, and dated as required
 - Verify payroll has been reconciled with time and effort
- Professional learning agenda and sign-in sheets (for in-house professional learning)
- Contracts(s)
 - Contain the following: services to be performed, start and end dates, payment amount for performance, signed and dated by all parties, cancellation charges, and date change fees
 - Awarded to vendors through an open and competitive process
 - Verify that contracts are only awarded to vendors who are eligible to receive federal dollars (suspension or debarment from receiving federal funds)
- Staff calendars and/or activity logs

MDE reviews all requested documentation and determines:

- All documentation is sufficient in all areas
 - Entity receives RAG Monitoring No Finding Approval Letter
- Documentation has section(s) that are non-compliant
 - Entity receives RAG Monitoring Findings Corrective Action Plan (CAP) Letter, which includes the Corrective Action Plan
 - Based on the recommendations provided, the Corrective Action Plan should include specific policies or procedures the entity will implement when working with federal grants

MDE Schedules a Fiscal Monitoring Exit webinar for each entity to discuss the sections included in the fiscal monitoring report and clarify all tentative/open findings.

- If all documentation is sufficient, the entity will receive the final fiscal monitoring report
- If sections are non-compliant, a Corrective Action Plan Form is sent with the final report to complete within 30 days.

If MDE determines that item(s) identified in the Corrective Action Plan are internal control deficiencies:

- The entity Superintendent receives a letter with the MDE's intent to recapture funds
- The ISD has 30 days from the date of the letter to appeal costs

Within 30 days of receiving a response from the entity:

- If MDE receives an appeal the State Superintendent will review information as submitted with the compliance plans, as well as information reviewed during the fiscal monitoring
 - The State Superintendent's office responds in writing within 30 days
- If the ISD chooses not to appeal the final determination recapture questioned costs.
 - A Fiscal Monitoring Recapture memo will be sent to the ISD Superintendent
 - The costs will be recaptured through the administrative process through a cash draw reduction on the next draw from the State of Michigan

Should you have any questions regarding the process, please contact Bill Witt, Manager at wittb1@michigan.gov.