

*Michigan Pupil Membership
Auditing Manual 2025-2026*



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Pupil Membership Auditing Manual

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Pupil Accounting Manual

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Pupil Membership Auditing Manual

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INTRODUCTION

This manual is provided as a resource to pupil membership auditors in conducting desk and field audits of pupil membership count procedures. Specific forms and programs have been developed to ensure that the pupil membership audits comply with Michigan Compiled Laws and meet government auditing standards. These requirements apply to all pupils, including those in adult education programs operated by the Department of Labor and Economic Opportunity - Workforce Development Agency.

This manual is a living document subject to changes based on revisions to current statutes, including the State School Aid Act and the Revised School Code, Attorney General opinions, and clarifications of current Department guidance and policy.

The information contained in this document is provided as a service of the Department and is distributed with the understanding that the Department does not engage in rendering legal advice. Those individuals desiring or requiring legal advice should seek the services of an attorney. Individuals should use this manual as a companion document in conjunction with the relevant statutes, judicial decisions, Attorney General opinions, and administrative rule.

Pursuant to §18(4)(d) and §18(8) of the State School Aid Act, the Michigan Department of Education (Department) approves, publishes, annually reviews, and periodically updates this Pupil Membership Auditing Manual (PMAM) and the Pupil Accounting Manual (PAM), [MCL 388.1618\(4\)\(d\)](#) and [388.1618\(8\)](#). Throughout this manual, unless otherwise stated, all references to "district" and "school district" include a local education agency (LEA) or a public-school academy (PSA).

The PMAM includes an Audit Compliance page ([Appendix H](#)). This page is designed to assist ISD auditors in making sure that all audit procedures have been performed. This Appendix may be completed at the conclusion of the audit.

The individual audit appendices provided in this manual are required to be used. These appendices are designed to assist in documenting pupil audit procedures. The Desk and Field Audit checklists are guides that include page references to the audit procedures for each category. If a procedure is not applicable, "NA" should be noted. The "Working Paper Reference" column must be used to cross reference to supporting audit workpapers. The pupil membership auditor must retain the audit programs and workpapers, including any relevant documentation.

As part of the Department's overall supervisory authority for state school aid, the Department conducts quality control reviews (QCRs) of the intermediate school district's (ISD) pupil membership audit of the local school districts to determine compliance with statutory and manual requirements. Quality control reviews may be conducted electronically or onsite at the ISD. If conducted electronically all documentation must be uploaded to the MDE – File Transfer Service secure site. If conducted onsite, the quality control reviewer meets with the pupil membership auditor at the ISD to review the documentation in either hard copy form or electronically from a flash drive. Whichever method is used, the MDE auditor reviews the audit documentation, and determines whether an audit adjustment is warranted under applicable law, policy, the PAM, and the PMAM. When conducted onsite, unless requested by the MDE auditor, it is not necessary to

provide an electronic copy of the ISD auditor workpapers. However, when conducted onsite, it may be necessary for the MDE auditor to request copies of specific documents. At the conclusion of the QCR, the Department provides a written report to both the ISD superintendent and the district superintendent summarizing the results and MDE conclusions of the QCR.

IMPORTANT NOTE: By their very nature, the pupil accounting and audit processes involve the use of student information that must be protected in accordance with section 1136 of the Revised School Code, [MCL 380.1136](#).

CHAPTER 1 - GENERAL REQUIREMENTS

PUPIL MEMBERSHIP AUDITOR

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 accounting and auditing procedures, rules, and regulations. [MCL 388.1681\(5\)](#). If a district chooses to employ a CPA to perform the pupil audit, the CPA must also be trained in pupil accounting and auditing procedures. Each ISD and CPA firm conducting pupil audits must document this training and annually provide documentation to the Department. If the district chose to use a CPA to perform the audit, this training of the CPA conducting the audit must also be documented. All training documentation must be submitted to the Department by November 1. See [Appendix K](#) for a template of the training log.

Section 18(4) of the State School Aid Act mandates that each district, including each public school academy (PSA), and each ISD has a pupil membership audit either by a pupil membership auditor employed by the ISD or an ISD contracted by the resident ISD to perform pupil auditing functions or a certified public accountant (CPA), [MCL 388.1618\(4\)](#). The Department has conditionally delegated that decision to districts and ISDs.

If a CPA conducts the audit, the CPA is responsible for the contents of the DS4120 and audit narrative, although the ISD must enter this information into the Michigan Student Data System (MSDS).

The auditee (LEA, PSA, or ISD) must:

- Submit the name of its pupil accounting contact person to the pupil membership auditor.
- Allow the pupil membership auditor to have access to its pupil accounting records.
- If the auditee uses electronic methods to record attendance, the ISD auditor must be given read only access to the district's student information system (SIS). This access must include the ability to view changes made to attendance and the name of the person who made the changes.

The CPA must:

- Perform all steps in the PMAM, including writing the audit narrative.
- Submit changes to the DS4061 (or an indication of no changes) to the ISD pupil membership auditor within 20 weeks of the count date.
- Submit a signed narrative to the ISD pupil membership auditor.
- Allow the ISD pupil membership auditor to have access to his or her workpapers.

The ISD must:

- Forward the Duplicate Unique Identification Code (UIC) Auditor View Report for the district being audited to the CPA four weeks after the MSDS DS4061 submission deadline.

Enter the DS4120 and the audit narrative into MSDS after reviewing the changes to the DS4061 and audit narrative provided by the CPA. The ISD auditor must annually sign the Code of Ethics and document his/her independence. See [Appendix A](#), Statement of Ethics and Independence. The auditor shall ethically perform auditing procedures and shall not have a conflict of interest regarding the school district, building, or program to be audited. With respect to an ISD's Special Education

program, the auditor must be organizationally independent and objective. Examples of situations that may present conflicts of interest include, but are not limited to the following:

- The auditor is currently employed by the school district, building, or program to be audited.
- The auditor was 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.
- The auditor is a member of the school board for the district being audited.

In instances when the auditor is found to have a conflict of interest, the ISD superintendent must be informed and measures must be taken to eliminate the conflict of interest by, for example, reassigning the audit to another auditor or acquiring the services of an outside independent auditor.

REQUIRED DOCUMENTATION

The district must submit the reports listed below to the ISD pupil membership auditor. The district must also provide all documentation requested by the ISD pupil membership auditor within five business days of the request. Failure to provide requested documentation may result in the loss of membership full time equivalent (FTE).

1. District Level Requirements:

- a. District or building/program calendar.
- b. Attendance policy, including excused/unexcused absence policy.
- c. Graduation requirements: These may be included in the district's student handbook or course catalog. **These must include a reference to compliance with MMC requirements, legislated state standards of education and other district requirements for alternative education and early middle college programs.**
- d. District policy: Requirements for full-time pupil status as adopted by the school district board of education.
- e. **List of board-approved courses and/or curriculum guides for each grade level. The list shall include all courses offered for credit or grade promotion and shall be used to determine which courses may be included in membership for state aid purposes and for audit verification on count days.** The curriculum guides must identify all extended learning opportunities offered to shared time students, including, but not limited to, name of vendor, place, day, and time of opportunity, transportation plan for students, and accommodation plan for any classes missed due to participation in the opportunity. **When a school board approves a catalog of courses from a third-party online provider, the district shall retain a copy of the approved catalog as evidence of board approval and identification of courses eligible for membership.**
- f. Master teacher schedule.

2. Building or Program Level Requirements:

- a. Building or program master schedules shall contain the following:
 - i. Each teacher's legal name.
 - ii. Room locations or numbers.
 - iii. Course names and numbers.
 - iv. Scheduled days and times of classes.
- b. Building or program alpha list - The principal administrator must sign the alphabetical list of pupils counted in membership by building, program (if applicable), and grade level. This list is used by the pupil membership auditor to verify the pupils counted for membership as reported in the MSDS. The pupil membership auditor may require a printed list from the district's student information system for comparison purposes.

The alpha list **MUST** include the following information for each pupil as of the count day:

- i. The pupil's legal name (as it appears on the birth certificate, unless the name was not recorded on the birth certificate at the time of birth).
- ii. The pupil's street address, city, state, and zip code.
- iii. The pupil's date of birth.
- iv. The district's pupil identification number. (This should include the pupil's UIC, and district assigned student number).

- v. The pupil's grade level or program classification.
 - vi. The pupil's date of enrollment
 - vii. The pupil's residency status (resident or nonresident).
 - viii. The pupil's Exit Status (i.e., 19= continuing)
 - ix. For each pupil, the amount of general education FTE claimed, special education FTE claimed, and total FTE claimed.
 - x. The alpha list must include shared-time students and the corresponding FTE.
 - xi. For each building or program, the alpha list must include separate totals of the general education and special education membership claimed, district-wide grand totals of general education and special education membership claimed.
- c. Nonconventional Programs - Every building or program must have documentation in place on the pupil membership count day and the supplemental count day that identifies each pupil who participates in a nonconventional program. These programs include, but are not limited to, those described in detail in Sections 5-A through Section 6-B of the Pupil Accounting Manual. ([PAM](#)).
- i. Nonconventional students must be reported on separate lists for each category. **These lists must be provided to the ISD pupil auditor.**
 - ii. It is the district's responsibility to identify the applicable category for each nonconventional pupil prior to providing this information to the pupil membership auditor.
 - iii. If a pupil could be claimed in more than one category, the district should identify each category and the pupil membership auditor will select the category in which to test the student based on the **category with the highest risk, or the number of pupils reported in the category.**
 - iv. Districts must maintain a listing of pupils educated by another district through a cooperative agreement who are counted in membership by the resident district as part of the cooperative agreement. The agreement must list the name and code of the district where the resident pupil is educated under the cooperative agreement.
- d. Attendance Records - Attendance records are necessary to determine and validate pupil eligibility during the membership count period and must follow the requirements for documenting attendance as defined in the Pupil Accounting Manual ([PAM](#)). If the pupil membership auditor determines the attendance records insufficient to substantiate membership, the pupil membership auditor shall allow an opportunity for the district to provide an alternative method to support claimed attendance. The teacher of record must review and sign, in ink, the source attendance document regardless of the format of the record to be considered the official record of attendance. This requirement applies to all attendance records, including computer-generated attendance records.
- e. Policy Defining Excused and Unexcused Absences.
- f. Absence Documentation- Every district must maintain a list of pupils absent on each scheduled and provided day of instruction. If not identified on the building

alpha roster, the pupil membership auditor may require a separate list indicating which pupils are absent in any class on the count day and their return date(s) within the 10/30-day period or 45-day period for suspended or expelled pupils.

3. Individual Pupil Level Requirements

a. Enrollment records (CA60). CA60 records are to be reviewed by the ISD auditor at the district. The ISD auditor must verify the review of CA60 records for sampled students. (See [Appendix L](#).) CA60 records are not required to be copied and retained by ISD auditors.

1. Pupil's legal name, address, and birth date (Proof of pupil identity and age)
2. Pupil's identification number (UIC and District Student Number)
3. School district of residence.
4. Current grade level
5. The school district or building of the pupil's last enrollment; a copy of the pupil's school record must also be retained.
6. Concurrent enrollment in another district and the name of the district
7. Parent or guardian's name and address (if pupil is less than 18 years of age)
8. Pupil's signature if pupil is 18 years of age or older
9. Date of enrollment
10. Immunization records. These are required to be part of a student's record, however, ISD auditors are not required to review immunization records.
11. Proof of identity (when first enrolling). This may include documentation indicating a district employee reviewed a birth certificate or other reliable proof of identity.
12. Proof of residency for a resident pupil. For a non-resident pupil, proof the pupil is an eligible nonresident for enrollment.
13. Record of parent or legal guardian consent for virtual course enrollment, if applicable.
14. Copy of student's most recent IEP, if applicable.

b. Pupil class schedules which were in effect on count day. The schedules must reflect all courses in which the pupil is enrolled for the semester or trimester, even if the pupil will be taking the courses on a sequential basis. The class schedule must contain the following:

- i. Pupil's legal name (may be accompanied by pupil's preferred name).
- ii. Pupil's identification number.
- iii. Course names and numbers - all placeholder course names, except for work-based learning, must be replaced with the actual course names prior to count day.
- iv. The name of the instructor for each course.
- v. Scheduled days and times of the classes.

c. Additional student records maintained for auditor review:

- i. Transcripts: May be requested and reviewed by the ISD or MDE pupil auditor. Though transcripts will not be complete when the field audits are complete, the district should

provide the transcripts to the ISD auditor for all sampled seniors.

- ii. Educational Development Plans (EDP): Depending on the program, EDP may be required for membership.
- iii. Program of Study: This is used to substantiate membership for early/middle college pupils who are accelerating through their program.
- iv. Sequential Learning Timeline: For sequential learning pupils enrolled under Section 5-O-D, the pupils must have a timeline established to document projected attempt dates for each virtual course on the pupil's schedule.
- v. Individualized Learning Plan: For pupils participating in a 23a Dropout Recovery program under Section 5-Q-A, pupils must have a learning plan prior to being claimed for membership.
- vi. Activity/Participation Logs: For Section 5-O-D, virtual learning experiences, two-way interactions must be documented in an activity log. This documentation must occur throughout the school year.
- vii. Special Education Worksheets A and B
- viii. Work based Learning Training Agreements and Training Plans (See Section 5-P)

NOTE: For documents viewed in the CA60, please complete and sign the ISD Sampled Student Checklist ([Appendix L](#)).

4. MSDS Unaudited FTE count – DS4061 (listing FTE by grade and totals for the district).

This report is generated through the general application collection in MSDS. It is advisable to print the DS4061 from MSDS to ensure the final certified collection is audited. Once the DS4061 has been set to audited status, the form will be displayed as a DS4120. The DS4061 and DS4120 must include notation of review by the ISD auditor and confirmation they are consistent with the district's alpha list.

5. COURSE LEVEL REQUIREMENTS

- a. Proper Teacher Placement (See Teacher Certification Section of this manual.)
- b. Courses are used for grade progression or generate credit.

DAY, HOUR, AND ATTENDANCE REQUIREMENTS

For the 2025-2026 school year, as specified in Section 101 of the State School Aid Act ([MCL 388.1701](#)) a district shall provide at least 1,098 hours and 180 days of pupil instruction. A district that fails to comply with the required minimum hours and days of pupil instruction shall forfeit state aid for the days the district was not in compliance. ([MCL 388.1701\(3\)\(b\)](#)). Pupils scheduled to receive less than 1,098 hours of pupil instruction during the school year must have their memberships prorated based on the actual number of instructional hours provided. When a district fails to meet the instructional days requirement (180 days for most districts), state aid must be adjusted.

15 Days of Instructional Time Provided Under 21F – This is no longer in effect per the State School Aid Act, Section 21F.

Professional Development as Instructional Time

Under Section 101 (10) of the State School Aid Act, a district may count up to 38 hours of qualifying professional development time for teachers as hours of pupil instruction.

See the PAM, Section 2, for requirements for counting professional development as instructional time.

Day and Hour Requirements for Special Education

Hours that early childhood pupils with an IEP or IFSP who only receive non-instructional services, such as speech, occupational therapy, physical therapy, or psychological or social work services, may not be counted for pupil membership purposes.

Districts shall adhere to the day and hour requirements as defined in the PAM for pupils with disabilities unless one or more of the following applies:

- Administrative Rule 340.1754: Early childhood special education for §1754 programs shall be available for a minimum of 360 clock hours and 144 days of instruction.
- Administrative Rule 340.1755: Early childhood special education services for §1755 programs shall provide a minimum of 2 hours per week, but not less than 72 clock hours within 180 school days.
- Administrative Rule 340.1862: Special education services for §1862 programs must be provided under the direction of an early childhood special education teacher and described in an individualized family service plan (IFSP). This service shall be provided for not less than 72 clock hours over one year.
- Pupils with an IEP Reduced Schedule, as placed by an IEP Team, are required to attend the same number of days and hours as any pupil to be counted as 1.0 FTE, unless the IEP team shortens the day for medical or emotional reasons. For special education pupils that do not qualify for an IEP reduced schedule, the FTE must be

prorated to the number of instructional hours provided. See the PAM for scenarios that do not qualify pupils for an IEP reduced schedule. A pupil may have reduced instructional time without impacting FTE following a diagnosis from a licensed physician or licensed physician's assistant.

Day and Hour Requirements for Alternative or Innovative Education

Districts are expected to meet the day, hour, and attendance requirements provided in Section 101 of the state School Aid Act for alternative education pupils unless the program, building, or district has received a valid current year waiver from the state superintendent.

A district operating under an MDE-approved days and hours waiver must adhere to the minimum number of student instructional days and hours identified in the waiver. A district cannot use instructional time derived from qualifying professional development to reduce instructional time below the minimums allowed in their waiver approval. **Qualifying professional development time would be in addition to the minimums approved in the waiver.**

Attendance Requirement

Section 101(3)(d) of the State School Aid Act provides a standard minimum attendance requirement of 75% of the enrolled pupils who are scheduled for instruction for a given day. For days added at the end of the instructional calendar, the minimum attendance requirement is reduced to 60% of the enrolled pupils who are scheduled for instruction that day Section 101(3)(e).

Section 101(3)(f) allows districts that do not provide instruction for pupils in all grades K-12 and operates a Department-approved alternative education program the option of requesting a waiver of the above attendance requirements, allowing the district to maintain an attendance requirement of 50% of the enrolled pupils who are scheduled for instruction on a given day.

If a district fails to meet the attendance requirement on a scheduled day of instruction, the instructional time remains countable toward the day and hour requirements for buildings scheduled to provide instruction on that date.

For variances to the day, hour, or attendance requirements see Section 2 of the PAM.

CALENDARS

The district must provide the ISD auditor with a copy of the district-wide calendar for the school year. The calendar must include instruction on the state-legislated count days. Count days cannot be scheduled days off.

The school calendars must adhere to the requirements of Section 1284 b and Section 1175 of the Revised School Code ([MCL 380.1284a](#) (common calendar) and [380.1175](#) (public holidays)).

A district must have a waiver from the State Superintendent to deviate from these provisions of law. A copy of the waiver must be provided to the pupil membership auditor. See the PAM for Calendar Best Practices, and the requirements of the following:

1. Labor Day Requirement ([MCL 380.1284b](#))
2. Common Calendar Requirement ([MCL 380.1284a](#))
3. Legal Holiday Requirement ([MCL 380.1175\(1\)](#))
4. District, Building, or Program Calendar – Including days and times of scheduled teacher professional development.
5. State Assessment Dates

COUNTING INSTRUCTIONAL HOURS TOWARD MEMBERSHIP

A minimum of 1,098 instructional hours must be scheduled and provided to generate full-time equated memberships for pupils in grades K-12, including alternative education. Instructional hours are based on the actual time instruction is scheduled and provided for a given grade level or group of pupils and may vary between buildings, programs, or grade levels. See the PAM for specific requirements for the following:

1. Pupil Instructional Hours
2. Forgiven Time
3. Additional Forgiven Time Requests

CALCULATION OF STATE AID ADJUSTMENTS FOR FAILING TO MEET INSTRUCTIONAL REQUIREMENTS

See the PAM for calculations for the following:

1. Failure to meet the minimum required days
2. Failure to meet the minimum required hours
3. Failure to meet the attendance requirements – A district's daily pupil attendance is required to reach 75% of the number of pupils scheduled and expected to be in attendance for the minimum number of days of instruction required under Section 101, generally 180 days, in order to avoid a state aid deduction.

TEACHER CERTIFICATION

Two sections of the State School Aid Act address the use of non-certificated teachers by local school districts, intermediate school districts (ISD's), and public-school academies when engaged in instruction.

Section 6(4) of the State School Aid Act provides that membership is based on the number of full-time equated "pupils in grades K to 12 actually enrolled and in regular daily attendance" on the pupil membership count day and the supplemental count day. [MCL 388.1606\(4\)](#). Section 6(8) also defines "pupils in grades K to 12 actually enrolled and in regular daily attendance" as "pupils in grades K to 12 in attendance and receiving instruction in all classes for which they are enrolled on the pupil membership count day or the supplemental count day, as applicable." [MCL 388.1606\(8\)](#). The State School Aid Act defines "class" as a period of time in one day when pupils and an individual who is appropriately placed under a valid certificate, substitute permit, authorization, or approval issued by the Department are together and instruction is taking place.

For the 2024-2025 and 2025-2026 school years only, appropriate placement for the grade level will be audited by the ISD auditor for membership purposes in accordance with state statute [MCL 388.1606\(8\)\(b\)](#). However, pursuant to [MCL 388.1763](#), districts must ensure that teachers are appropriately placed for the grade level and subject/content area (either with a certificate or permit) to avoid a salary deduction. If an educator is not able to be placed appropriately (grade level and subject/content area), the district must obtain a permit for the placement of the teacher outside the teacher's endorsement to avoid a salary deduction.

The Revised School Code, [MCL 380.1231](#) requires the board of a school district to hire and contract with qualified teachers. Contracts with teachers must be in writing and signed on behalf of the school district by a majority of the board, by the president and secretary of the board, or by the superintendent of schools or an authorized representative of the board.

Revised School Code, [MCL 380.1233](#): The board of a school district or intermediate school district (ISD) shall not permit a teacher who does not hold a valid teaching certificate to teach in a grade or department of the school. Sections 1233(5) and 1233(b) allow for the employment of a substitute teacher if certain conditions are met.

Section 163 of the State School Aid Act ([MCL 388.1763](#)) does not allow the board of a district or intermediate district to permit the following:

1. Individuals who are not appropriately placed under a valid certificate, valid substitute permit, authorization, or approval issued under Department rules to teach in an elementary or secondary school.
2. Individual who does not satisfy the requirements of section 1233 of the Revised School Code ([MCL 380.1233](#)) to provide school counselor services to pupils in an elementary or secondary school.

In addition to the pupil membership (FTE) provisions in Section 6 of the State School Aid Act, Section 163 defines additional penalties for the use of non-certificated teachers or counselors.

For the 2025-26 school year, pupil membership auditors will only be required to make

state aid deductions for teachers with no credentials, certification, permit, or inappropriate teacher placements at the grade level on Fall or Spring count days. If the auditor discovers a teacher is not appropriately placed (grade level and subject level endorsement), the auditor must report the inappropriate placement to the Office of Educator excellence. To avoid the possibility of a salary deduction, districts must still ensure that teachers are appropriately placed for the grade level and subject area (either with certificate or permit). If an educator is not able to be placed appropriately (grade level and subject level), the district must obtain a permit for the placement of the teacher outside his or her endorsement to avoid a salary deduction.

All of the above requirements also pertain to courses taught under section 21f (virtual teachers), as noted in [MDE Memo - 060-22](#). PA 144 of 2022 also expanded the definition of a provider under Section 21f (388.1621f) to include other third-party vendors:

- Sec. 21f (14)(d) "Provider" means the district, intermediate district, community college, or other third-party vendor that the primary district pays to provide the virtual course or the Michigan Virtual University if it is providing the virtual course.
- A third-party vendor may supply the teacher of record for virtual courses under Section 21f when the teacher is Michigan certified and appropriately placed. (See MDE MEMO #060-22 for additional guidance.)

For the 2025-26 school year, a teacher is required to be appropriately placed for both the grade level and subject area for membership purposes and to avoid salary deductions.

TEACHER CREDENTIAL VERIFICATION REPORT

The MDE Office of Educator Excellence (OEE), the MDE Office of Financial Management – Audits Unit (OFM), and the Center for Educational Performance and Information (CEPI) have worked together to develop a report that combines the Michigan Online Educator Certification System (MOECS) and the Registry of Education Personnel (REP) into the Teacher Credential Verification Report. This report is a useful tool for ISD auditors and school district personnel to assist in the verification process for teachers. When reviewing this report, pupil auditors and pupil accountants only need to focus on the IN/OUT column and verify with the district any staff who appear on the report with a “Grade Placement Status” or “Subject Placement Status” other than “IN”.

FTE Deduction for Teacher Certification Violations

For the 2024-25 and the 2025-26 school years, pupil membership auditors are required to verify the teacher was not appropriately placed at the grade level on count day. If the teacher was not appropriately placed at the grade level on count day, the FTE adjustment must include all days on which the teacher was not properly credentialed or permitted. If the pupil membership auditor suspects any other certification violation or needs assistance in determining a certification violation, the auditor is required to report this to the Office of Educator Excellence (OEE) following the procedures below:

1. If the ISD pupil membership auditor suspects a teacher was not properly credentialed, the pupil membership auditor must notify the OEE to verify the teacher did not hold the proper credentials.
2. If the ISD pupil membership auditor was able to verify the non-compliance, the

auditor should notify OEE of the FTE penalty so there is not a salary penalty for the same violation.

3. When the OEE has completed an investigation, OEE will notify the MDE Pupil Membership Auditor whether the teacher was found to be in compliance.

4. The MDE Pupil Membership Auditor will notify the ISD pupil membership auditor of the results of the OEE investigation and the necessity to make FTE adjustments.

[MCL 388.1615\(4\)](#) states: "If the Department makes an adjustment under this section based in whole or in part on a membership audit finding that a district or intermediate district employed an educator in violation of certification requirements under the revised school code and rules promulgated by the Department, the Department shall prorate the adjustment according to the period of noncompliance with the certification requirements."

The FTE adjustments will be pro-rated based on the number of pupils in the class or classes in which the teacher was non-certified and the amount of instructional time for the class. This may be based on number of days the teacher was non-certified or the amount of instructional time the non-certified teacher taught.

Calculating Teacher Certification Deduction Examples:

Example A: Elementary teacher began working on the first day of school without certification or permit. On November 15, the district requests a permit or other credential from the Office of Educator Excellence. Using the district calendar, the ISD auditor will calculate the number of days between the first day of school and the date the teacher received certification. This is the number of days the teacher was "out of compliance" and the number of days used to determine FTE deductions.

School began August 26; count day is October 2; teacher receives permit on November 15; for a total of 57 instructional days out of compliance. Number of school days per district calendar = 180. Number of students in class = 22.

A. Days without certification/noncompliance	B. Days in District	C. FTE deduction (A/B)	D. Total Deduction
57 days	180	$57/180 = .317$	$22 \times .317 = 6.97$ FTE

NOTE: If the teacher did not work in a self-contained classroom, the deduction would be multiplied by the portion of FTE each student would have received in the course, e.g., 0.17 per hour not in compliance.

Example B: Teacher working on the first day of school without certification or permit. District pulls a substitute permit for the teacher the day before count. Therefore, the teacher is properly permitted on count day and there is no FTE deduction, because the teacher was certified/permitted on count day.

In both cases, the Office of Educator Excellence (OEE) should be notified by the ISD auditor for verification/investigation to determine the teacher did not have appropriate certification/permits. OEE will determine the actual number of days for any salary deductions for noncompliance. There will be no salary penalties if there was an FTE deduction.

SECTION 25e PUPIL MEMBERSHIP TRANSFERS

Section 25e of the State School Aid Act ([MCL 388.1625e](#)) provides districts with the ability to count a proration of a full-time equated (FTE) membership for pupils who transfer from one district to another district between the Fall and the Spring supplemental count days. To be eligible, the pupil must have been counted in a district on the Fall count day and be eligible to be counted in the district in which the pupil transferred.

Section 25e(b) requires the ISD pupil auditing staff to investigate a representative sample of 25e transfer requests based on required audit sample sizes based on the ISD auditor's assigned risk level of 10% (low), 15% (medium), or 20% (high). If the transfer request does not comply with requirements, the pupil membership transfer may be denied.

AUDIT STEPS FOR SAMPLED REQUESTS

1. Verify the pupil's enrollment date and first date in attendance in the transfer district occurred between the Fall membership count day and Spring supplemental count day of the current school year.
2. Verify the "First Day in Attendance" characteristic is supported by pupil attendance records (or the pupil participation documentation for virtual learning courses).
3. Verify that the request for the membership transfer under Section 25e was submitted in MSDS not more than 30 days after the pupil enrolled, or within 30 days of the fall membership certification date, whichever is later ([MCL 388.1625e\(2\)](#)). An SRM submission that does not conform to this requirement will require the auditor to edit the first day of attendance to 30 days prior to the submitted date.
4. Before the spring count date, review a representative sample of Section 25e requests to the Center for Educational Performance and Information's Student Record Maintenance (SRM) and obtain documentation required to process the requests. Audit sampling rules, as outlined above, should be followed, including increasing sample sizes as necessary to reduce the error rate below 5%, including up to 100% as necessary.
5. If the above criteria were met, approve the request. If the above criteria were incorrect, the auditor must update the record (first day attended or FTE claimed). If unable to correct, the request should be denied. A district may resubmit a previously denied claim by certifying a new SRM within the re-submission window. However, any new claims must be certified in MSDS prior to the spring count date.
6. The appropriate FTE adjustments will be applied to the gaining/losing districts' audit forms (DS4061 or DS4120) and audit narrative.
7. If a pupil's fall FTE, upon which a Section 25e claim was based, is later adjusted during the audit window, manual adjustments may be required on the part of both the losing and gaining district's auditor. ISD auditors on both sides of the transfer will receive an email from CEPI alerting them that a Section 25e manual

adjustment is needed. Manual adjustments require the auditor to consult CEPI's Section 25e Financial Calendar.

8. Section 25e adjustments are monitored and FTE adjusted by CEPI outside of the pupil audit windows. Since these adjustments are made after the Fall and Spring count days, ISD review of 25e adjustments is not included in a pupil membership Quality Control Review.

SECTION 23a DROPOUT RECOVERY PROGRAM

The Pupil Accounting Manual ([PAM](#)) provides detailed guidance on the requirements for the 23a population of students. See link for the membership requirements subject to audit. The timing of the audit of 23a programs is at the discretion of the individual ISD auditors but must be completed by May 31 of the current school year. If your ISD is selected for a Quality Control Review, the completed audit of the 23a programs must be included in the QCR documentation and the date the audit was conducted noted on the field audit checklist.

The Drop-out recovery program is designed to be a 12-month program. The ISD auditor should obtain the program calendar to verify the program was operated on a 12-month schedule.

23a AUDIT STEPS

1. Obtain the list of pupils participating in the 23a dropout recovery programs.
2. Select a random representative sample of the pupils on a head count basis. The sample size must be determined using the Pop III risk percentage from the Building Risk Assessment, [Appendix C](#).
3. Verify the sampled pupils were counted as 1/12 of an FTE for each month the district operated the program and the pupil participated.
4. Verify the sampled pupils satisfied the 23a requirements in the PAM.
 - a. The pupil was in full attendance for a month.
 - b. A teacher under a valid certificate, substitute permit, authorization, or approval issued by the Department was assigned and involved in the instructional process.
 - c. The pupil met at least one of the following criteria:
 - i. The pupil had been expelled from school under the mandatory expulsion provisions in §1311 or §1311a of the Revised School Code.
 - ii. The pupil was suspended or expelled from school under a local policy.
 - iii. The pupil was referred by a court.
 - iv. The pupil was pregnant or a parent.
 - v. The pupil was previously a dropout.
 - vi. The pupil was determined by the district to be at risk of dropping out.
 - d. The dropout recovery program provided an advocate who met the advocate requirements as included in the PAM.
 - e. The dropout recovery program developed a written personalized learning plan and the plan was in place on or before the first school day of the first month the pupil participated in the program.
 - f. The program monitored the pupil's progress against the written learning plan.
 - g. Though the program requires the pupil to make satisfactory monthly program, the ISD auditor is only required to verify the district determined the requirement was met.
 - h. If the program is operated by an education management organization, the

- pupil's monthly progress was reported to the partner district.
- i. If the district partnered with an education management organization, the organization had a dropout recovery program partnership relationship with at least one other district.
 - j. Within 30 calendar days of a month the operating district reported to CEPI the number of pupils enrolled and in full attendance.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
 6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
 7. Issue any general or specific findings if necessary, including any FTE deductions.

PUPIL MEMBERSHIP COUNT REQUIREMENTS

(For specific details of requirements, see Section 3 of the PAM)

1. Count Days:
 - a. Count days are established in the State School Aid Act as the First Wednesday in October, and the Second Wednesday in February.
 - b. If either count day falls on a day of religious or cultural significance, as determined by the district, the immediately following day on which school is in session is count day.
 - c. If a district or building is not in session on a count day due to conditions not within the control of the school authorities, with the approval of the State Superintendent, the district or building membership count day will be the immediately following day on which school is in session in the district or building.
2. Pupil Eligibility Requirements for Membership Purposes:
 - a. Pupil Enrollment – The pupil was enrolled in the local or intermediate school district (ISD) on or before count day.
 - b. Pupil Age Requirement – Section 1561 (1) of the Revised School Code ([MCL 380.1561](#)) establishes the requirements of compulsory school attendance. Section 6(4)(1) of the State School Aid Act ([MCL 388.1606](#)) sets the minimum age requirement to be eligible to attend school. Michigan Administrative Rules for Special Education (MARSE) rules 340.1754, 340.1755, and 340.1862 establish age requirements for special education enrollment of pupils.
3. Verification of Identity and Age:
 - a. The local school district must verify the identity and birth date of every pupil enrolling in the district for the first time. The pupil's identity and birth date may be verified through a variety of methods, as listed in the PAM.
 - b. The pupil should be enrolled in the district and reported in the MSDS by the pupil's legal name as listed on the document used as reliable proof.
 - c. The ISD auditor must review the CA60 for identity and age of pupils. The ISD auditor must document the review of the CA60. (See [Appendix L](#)).
4. Pupil Residency:
 - a. A district may enroll residents and nonresidents in accordance with state law.
 - b. The district of residence must be determined for reporting purposes.
 - c. A district may require reasonable verification that a pupil meets the requirements to be considered a resident of the school district.
 - d. The ISD auditor must review the residency documents and verify the requirements were met by the district.
5. Class Schedule:
 - a. Districts shall maintain a current class schedule for pupils as of count day and during the count period.
 - b. If a class schedule changes after the count period, the district must update the class schedule immediately.
 - c. The ISD auditor must review class schedules for all sampled students.
6. Pupil Attendance

- a. Local school boards should adopt attendance policies.
 - b. Districts should distinguish between excused and unexcused absences.
 - c. Districts must verify a pupil was in attendance and receiving instruction in each class on the count day, or if absent, met the requirements of the 10/30/45 day attendance rules.
 - d. The ISD auditor must verify sampled students were in attendance on count day or met the requirements of the 10/30/45 day rules.
7. High School Diploma or High School Equivalency Credential
- a. The district must verify a student has not achieved a high school diploma or high school equivalency credential, such as the General Education Development (GED) certificate.
 - b. An individual pupil with a disability, who achieves a special education certificate of completion, may continue to be counted in membership.
 - c. The ISD auditor must review senior transcripts to verify whether a pupil has the required number of credits to achieve a high school diploma unless the pupil is enrolled in an Early Middle College program.
8. Teacher Certification Requirement:
- a. See the Teacher Certification section of this manual for teacher certification requirements.
 - b. The ISD auditor must verify that all teachers are appropriately placed, holding a valid Michigan educator credential with the required grade range for pupil membership purposes, or has received a valid substitute permit
9. Course Credit or Grade Progression
- a. Except for a non-subject area course, such as a seminar, each class counted for membership must be capable of generating credit or required for grade progression.
 - b. ISD auditors should verify each class on sampled student schedules is included in the district's course catalog as a credit generating class.

CHAPTER 2 - AUDIT CYCLE, DESK AUDITS AND FIELD AUDITS

AUDIT CYCLE

The Department requires each building/program to be desk audited for each pupil count. Department policy also requires all high school buildings or programs be field audited at least once every two school years and all middle school and elementary school buildings be field 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. The rationale for this must be documented in the audit schedule and work papers and noted in the audit narrative.

At least one building or program must be field audited for each district or PSA each year. There is an exception in §18(4)(b) of the State School Aid Act ([MCL 388.1618\(4\)\(b\)](#)) that allows a district to conduct the field audit biennially if all the following conditions are met:

- The district operates in a single building with fewer than 700 full-time equated pupils.
- The district has **stable membership**, meaning that the district's membership for the current fiscal year varies from the district's membership for the immediately preceding fiscal year by less than 5%.
- The **error rate** of the immediately **preceding two pupil accounting field audits** of the district is **less than 2%**.

A field audit planning schedule must be documented in the audit workpapers and the audit narrative. The field audit planning schedule must also be submitted annually to the Audit Specialist at the Department's Office of Financial Management by November 1. The field audit planning schedule should show the last count that was field audited and should be carried out to the next anticipated count to be field audited.

The risk assessment ([Appendix C](#)) is used to determine the buildings to be audited and the sample size of pupils to be tested. The audit risk, (i.e., the risk that the building pupil membership counts may not be accurate), needs to be considered when determining audit frequency. The auditor may use discretion in increasing the frequency and content of audits. Any deviation in audit frequency must be documented by the auditor.

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

- The results of the prior field and desk audits. Buildings or programs with error rates over 5% in the prior two field audits should be considered higher risk.
- The effectiveness of district pupil count procedures and controls.
- The experience of district personnel assigned to process pupil count data. (See the Local District Planning Form). **If there is a high turnover rate in the pupil accounting area, the risk should be considered.**
- The frequency of pupil absenteeism was noted during the count period. **Higher absenteeism rates may increase the risk for Pop II.**
- The number of nonconventional pupils attending the building or program. A higher number of nonconventional pupils may increase risk for Pop III.

DESK AUDITS

A desk audit is a more limited review of the district's documentation than a field audit and must be done for each building, in all districts, for every count period. The procedures are listed below. A Desk Audit Checklist is provided in the Appendices to verify all procedures are documented, including workpaper references. ([Appendix D](#)).

Desk audits include:

- Review of the Days, Hours, and Attendance report.
- The Building Risk Assessment is used to determine the buildings to be audited and the sample size of pupils to be tested.
- Review Local District Planning Form (used to calculate risk). This form must be completed by the local district.
- Review of the 75% attendance documentation.
- Review of pupil membership alpha lists. The MSDS alpha list should be compared with the SIS alpha list for accuracy.
- Verification the district documented pupils who were absent on count day returned within the required 10/30-day period, or 45-day period for suspended or expelled pupils.
- Identification of nonconventional categories that apply to each pupil.
- Resolution of duplicate pupil counts.
- Verification of residency-related information on the DS4061.
- Review of Schools of Choice documentation.
- Verification of 100% teacher certification - This must be done for the Fall count. It should be done again for the Spring count if there were significant adjustments after the Fall count. It is also recommended that pupil membership auditors review the MSDS Teacher Certification Verification Report on count day to follow-up with the district on any Grade Placement Status other than "IN".
- Review of MSDS FTE Comparison Report for drop/add analysis explaining unusual increases in Fall membership or decreases in Spring membership.

CONDUCTING THE DESK AUDIT

1. Review the Pupil Accounting Manual ([PAM](#)) for specific membership requirements.
2. Review the correspondence file, prior audit workpapers, the prior audit report, and any audit or relevant monitoring reports the district received from other sources.
3. Obtain and review the district's excused/unexcused absence policy.
4. Review district/building course catalogs for completeness, verifying all buildings used to provide education to students are included and are listed in the EEM. **This includes buildings used for virtual education where 6 or more students are receiving instruction at one time.**
5. Confirm that the district certified it was in full compliance with the Days, Hours, and Attendance requirements or obtained the appropriate waivers.
6. Review the Attendance Report to verify compliance to date with the 75% attendance requirement in the current school year.

7. Review the alphabetical lists of membership to verify the following.
 - a. The MSDS-generated certified final alpha list was submitted for audit.
 - b. The printed list from the district's student information system (SIS) compares to the MSDS-generated list. Evidence of review must be noted.
 - c. The alphabetical lists of membership are signed by the building principal or authorized representative. For electronic audits, an affidavit signed by the building principal verifying accuracy of the alpha lists is acceptable. Attendance is required to be taken daily. When taking attendance electronically, the district should print the attendance from the district's student information system (SIS). **The district must give the pupil membership auditor read-only access to the SIS.**
 - d. General Education FTEs on the alpha list match the DS4061.
 - e. Pupils who were absent on the count day are identified on separate lists and reviewed for return within the 10/30/45 day rules.
 - f. Pupils in nonconventional categories are identified on a separate list detailing all applicable nonconventional categories. It is the district's responsibility to include pupils in all applicable categories for each nonconventional pupil.
8. Perform the following procedures to resolve FTE conflicts. Adjust FTE counts so that no pupil has an FTE that exceeds 1.0 unless the pupil is enrolled in an early middle college and meets the requirements in item 9 below. Also, see exception for the Dropout Recovery Program of Section 23a of the State School Aid Act ([MCL 388.1623a](#)) addressed in section 5-Q-A of the Pupil Accounting Manual. ([PAM](#))
 - a. Obtain a status report of unresolved FTE conflicts from the district. Using the FTE Conflict Detection function in MSDS, districts should have identified and resolved as many of the FTE conflicts as possible before the close of the FTE Conflict Resolution process, which ends six weeks after count day.
 - b. At the end of the sixth week, obtain supporting documentation for unresolved FTE conflicts.
 - c. Work with districts to make FTE conflict adjustments within the ISD as needed and work with other pupil membership auditors for FTE conflict adjustments needed in other ISDs. The audit narrative cannot be certified if there are unresolved conflicts.
 - d. If unable to resolve FTE conflicts, contact the Department's Audit Specialist. Do not leave conflicts unresolved.
9. Verify any pupils enrolled in an early middle college are only counted for more than a total of 1.0 FTE if all the following requirements are met:
 - a. The pupil is enrolled in an MDE-approved early middle college program.
 - b. The pupil meets all membership requirements provided in Section 5-G-B of the PAM.
 - c. The pupil is enrolled in more than the minimum number of instructional days (180) and hours (1,098) unless the district has received a waiver from MDE that provides different requirements, or the district has an eligible collective bargaining agreement allowing for a different number of days or hours.
 - d. The pupil is expected to be on-track to complete the 5-year program at least one semester early with a high school diploma and at least 60 transferable college credits or an associate degree.
 - e. The district can provide evidence that the pupil will complete the program of study early.

- f. The membership is exceeded due to the pupil's enrollment in courses specified and claimed as part of the early middle college program of study.
10. Review the Drop/Add lists provided by the district to determine the accuracy of pupils dropped or added near the count day, and between the Fall and Spring count days. Auditors should also review the FTE Comparison Report in MSDS. For a district with a Fall count much higher than the Spring count, perform and document the measures taken to determine possible reasons for the difference.
11. Review the Special Education Worksheets A and B to verify all the following.
 - a. Teacher codes have been included.
 - b. Associated regular education FTE amounts, if any, have been reported in the proper column.
 - c. The resident districts have been identified for pupils being educated outside of their districts of residence.
 - d. FTE totals have been correctly calculated.
 - e. All pupils listed on the worksheets have been identified on the alphabetical lists of membership.
12. Verify the accuracy of FTEs reported in the Additional Information on K-12 Pupils.
 - a. Special Education and General Education FTE. [MCL 388.1624](#). This field only appears on the DS4120 for PSAs and the value must be entered by the ISD.
 - b. New grade levels for the Fall count that have never been previously offered.
13. Verify the information in the residency-related sections of the DS4061 report matches the residency information on the Pupil Alpha Lists.
14. Determine whether Schools of Choice will be audited in the desk audit or field audit, depending on where the district's records are maintained. If the district centrally maintains the Schools of Choice records, verify:
 - a. The district has signed cooperative agreements for a representative sample of §105c Special Education pupils accepted since the last field audit. [MCL 388.1705c](#).
 - b. The district certified either that it complied with or did not comply with schools of choice provisions in the State School Aid Act, Section 105 ([MCL 388.1705](#)).
 - c. If noncompliance exists, report the noncompliance to the Department's Schools of Choice consultant for implementation of the 5% penalty. [MCL 388.1705\(20\)](#) and MCL [388.1705c\(20\)](#).
15. Evaluate the results of the desk audit and determine if changes need to be made to the district's risk assessment.
16. For the Fall count of the 2025-26 school year, verify that all teachers hired by the district are appropriately placed in grade level by performing the following:
 - a. Request the Master Teacher Schedule from the district. The schedule should include all buildings/programs used for educational purposes, as some teachers are scheduled for more than one building. The schedule should also include permanent and long-term substitute teachers for any portion of the school year. If the Master Teacher Schedule is not in Excel format, it is

- suggested that it be converted to Excel to make searching easier.
- b. The Center for Educational Performance and Information (CEPI) makes a Registry of Educational Personnel (REP) report (Teacher Credential Verification Report) available in Excel within the MSDS application for each district in the ISD. Run the report in MSDS.
 - c. Compare the Master Teacher Schedule with the MSDS Teacher Credential Verification Report. If a teacher is included on the Master Teacher Schedule but not on the MSDS Teacher Credential report, check the Michigan Online Educator Certification System (MOECS) for certification. If a teacher is included on the Teacher Credential report but not on the Master Teacher Schedule, verify with the district that the teacher is in fact not teaching and therefore is correctly not included on the Master Teacher Schedule. If a teacher is found to be included on one report but not the other, the pupil membership auditor should issue a general finding. If the error includes the deduction of FTE for the use of an inappropriately placed teacher, the pupil membership auditor should issue a specific finding including the amount of FTE to be deducted.
 - d. If the district did not report all teachers in the REP, notify the Office of Educator Excellence (OEE).
 - e. If a teacher is not appropriately placed, the pupil membership auditor shall follow the procedures listed in the Teacher Certification section of this manual. Whenever possible, FTE adjustments should be made at the student level. Though this may be time consuming, it will simplify §25e adjustments and provide tracking of other audit procedures.

Two sections of the State School Aid Act and the Revised School Code address the use of inappropriately placed teachers by local school districts, intermediate school districts (ISD), and public-school academies when engaged in instruction. See the Teacher Certification section of this manual.

EXIT CONFERENCE AND AUDIT ADJUSTMENTS

1. Before completion of the audit, the pupil membership auditor shall contact appropriate local district personnel to discuss the following.
 - a. Opportunity for the local district to clarify issues or provide additional documentation for questions identified during the audit. The local district should be given a reasonable amount of time, not to exceed 10 days, to provide additional documentation to clarify issues or resolve potential findings.
 - b. General findings: a general comment or an opportunity for the auditor to assist the local school district in identifying ways to improve its documentation or counting procedures to maximize or accurately report FTE memberships.
 - c. Specific findings, along with the associated FTE adjustments: a specific audit finding is a violation of the State School Aid Act, Revised School Code, Pupil Accounting Administrative Rules, or the Pupil Accounting Manual (PAM) that results in the loss of FTE.
 - d. District appeal procedures.
2. If a pupil is added because of the desk review, the district must enroll the pupil in MSDS and report the enrollment via the Student Record Maintenance (SRM)

collection. The district shall also provide a new alpha list to the pupil membership auditor as proof of the correction.

3. The pupil membership auditor shall record FTE adjustments on the FTE Adjustment Form (See [Appendix G](#)).
4. In the MSDS, make all DS4061/4120 adjustments at the student level, not the aggregate level whenever possible.

FIELD AUDITS

In addition to the requirements of the desk audit, the field audit requires the pupil membership auditor to visit the district building being audited to review pupil membership records in depth. **ISD auditors are not required to visit non-public schools. Non-public school programs are considered shared-time programs, and the buildings are not audited by ISD auditors.** Specific procedures are found in the Conducting the Field Audit section of this manual.

For each building of the district selected for a field audit, the ISD auditor is required to interview 5% of teachers and school district pupil accounting personnel with a minimum of two teachers and one school district pupil accounting personnel or, whichever is greater, to determine the possibility that pupil accounting records may have been intentionally altered to secure unfair or unlawful gain. A maximum of ten teachers and two school district pupil accounting personnel in the field audited building are required to be interviewed.

The auditor determines the risk for each population of pupils:

- | | |
|----------------|---|
| Population I | Conventional pupils in attendance on count day. |
| Population II | Conventional pupils absent any portion of the day on count day. |
| Population III | Pupils included in nonconventional categories. |

The auditor selects a sample and examines a percentage of each population of pupils based on the determined risk. All pupils in nonconventional categories are sampled in separate populations by categories to determine that all count requirements have been met. (See specific audit steps for each nonconventional category.)

The Field Audit Checklist ([Appendix E](#)) provides standardization and allows the auditor to perform the necessary procedures in an effective and efficient manner. This checklist does not constitute complete audit documentation. The auditor is requested to use the MDE created checklist, however, has discretion in developing alternative audit checklists, but must:

- 1) Adequately document the work performed.
- 2) Meet minimum audit standards.
- 3) Include all the information required from the MDE checklist.
- 4) Include all workpaper references in the Working Paper Reference column.

NOTE: If, during a Department quality control review, the ISD created form is found to not include required information, the ISD will be required to use the MDE created forms.

RISK ASSESSMENT AND SAMPLE SELECTION

Perform the following planning steps before beginning the field audit:

1. Review the Local District Planning Form ([Appendix B](#)). The form must be completed by school district personnel and reviewed by the pupil membership auditor. Newly hired or personnel with less than 2 years of experience may indicate higher risk and should be considered when developing the risk assessment for a building.
2. Select and document the buildings for audit based on the audit cycle and a Building Risk Assessment ([Appendix C](#)). Selection criteria should include types of pupils, prior audit findings, rotation schedule, and potential for error.
3. Obtain a list of the pupils in the following three categories for each building:
 - Population I Conventional pupils in attendance on count day
 - Population II Conventional pupils absent any portion of count day
 - Population III Pupils included in nonconventional categories

It is the district's responsibility to report pupils in each nonconventional category in which the pupil participates. If the district includes the pupil in more than one category, the pupil membership auditor should sample the student in the category of higher risk, or a specific category in cases where the student is the only student participating in the category. Referring to the requirements in the PAM for each category, the auditor should determine whether documentation provided by the district supports the FTE claimed.

Discuss the buildings/programs to be audited and the timing of the audit with the responsible local district personnel. The ISD auditor should also provide the local district with a list of items that will need to be made available during the field audit. Discussions should include availability of workspace for the auditors, access to pupil membership records, **read only access to the district's SIS**, and assistance to be furnished by the local district.

4. The field audit planning schedule must include all buildings used for instruction for each district in the ISD. At a minimum, it should identify for each building the most recent count for which a field audit was conducted and the schedule for the next field audit. The Planning Schedule must be sent annually to the Audit Specialist in the Department's Office of Financial Management Audits Unit by November 1. **For non-public schools programs audited, the count audited should be included on the audit narrative.**
5. 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 conducted. The percentages for Population III should be applied to each category of nonconventional pupils.

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

If the resulting sample is not a whole number, the auditor shall always round up to the next whole number. Auditors may select samples larger than the minimum.

NOTE: The total number of pupils reported on the Sample Summary & Analysis must equal the total number of pupils counted for FTE and reported on the MSDS alpha list. For pupils who are included in more than one category, the ISD auditor must sample them in the category of highest risk and remove the pupils from the total of other categories.

CONDUCTING THE FIELD AUDIT

1. Review CA60s for all sampled students and verify the information reviewed on [Appendix L](#). Perform the steps identified for "Population I," "Population II," and "Population III."
2. Using the Sample Summary and Analysis (See [Appendix F](#)), determine and evaluate each population error rate according to the following:
 - a. Errors in each population and each category are accumulated on a head count 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 two errors, although the net 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.
 - b. If the initial sample was less than 60 in a category of the population and the error rate is 5% or greater, the auditor is required to expand the sample in increments to 25%, 40%, 55%, and 75% of the category. 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 category.
 - c. If the initial sample selected was 60 or more, the auditor may stop sampling if there is one error or no errors. If there are two or more errors, the auditor is required to expand the sample to 90 and then to 180 and 360 records as follows. 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 category.
 - d. If errors are isolated, informed professional judgment allows the auditor to focus sample expansion on the subpopulations with the isolated errors. The auditor is encouraged to request that the district identify and correct the isolated errors before expanding the sample.
3. Determine and document the entire building/program error rate. This will be calculated by dividing the total number (on a head count basis) of errors noted in Populations I, II, and III by the total number (on a head count 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 less than 10%, the auditor must make a judgment as to whether audit testing should be expanded to audit other like buildings or programs in the district or whether to 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/program in the district or, if there is no other like building/program in the district, the auditor shall field audit the same building again for the next pupil membership count.
- c. 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 error rate and the plan to expand the sample to the Pupil Membership Audit Specialist at the Department's Office of Financial Management - Audits Unit.
4. Conduct face-to-face interviews with a minimum sample of two or 5% of teachers and one pupil accounting personnel, whichever is greater. The maximum number of interviews to be conducted is ten teachers and two pupil accounting personnel. The purpose of these interviews is to inquire of any knowledge or awareness of inappropriate alterations of pupil attendance records or any other teacher's attendance records. For a sample Staff Interview form see [Appendix I](#).
 5. Determine and document all buildings are being used for learning in the district, even if used for virtual learning. Periodically visit all buildings on a random basis as part of the required field audit visit. **Field audit visits do not include non-public schools. Non-public school services are considered shared-time programs. Document the visits in the field audit workpapers.**

EXIT CONFERENCE AND AUDIT ADJUSTMENTS

1. Before completion of the audit, the pupil membership auditor shall contact appropriate local district personnel to discuss the following.
 - a. Opportunity for the local district to clarify issues or provide additional documentation for questions identified during the audit. The local district should be given a reasonable amount of time, not to exceed 10 days, to provide additional documentation to clarify issues or resolve potential findings.
 - b. General findings: a general comment or an opportunity for the auditor to assist the local school district in identifying ways to improve its documentation or counting procedures to maximize or accurately report FTE memberships.
 - c. Specific findings, along with the associated FTE adjustments: a specific audit finding is a violation of the State School Aid Act, Revised School Code, Pupil Accounting Administrative Rules, or the Pupil Accounting Manual ([PAM](#)) that results in the loss of FTE.
 - d. If an ISD audit of an individual pupil or group of pupils results in multiple findings categories, it is necessary for each separate finding to be reported in the audit narrative. Using the specific finding code of S99 - Multiple Audit Findings, enter the total FTE deduction and number of pupils affected. Below the S99 code, enter each specific audit finding with the number of pupils affected, but zero in the FTE column.
 - e. District appeal procedures.
2. If a pupil is added as a result of the audit, the district shall enroll the pupil in MSDS and report the enrollment via the SRM collection. The district shall also provide a new alpha list to the pupil membership auditor as proof of the correction.

3. The pupil membership auditor shall record FTE adjustments on the FTE Adjustment Form (See [Appendix G](#)).
4. In MSDS, make all D54061/4120 adjustments at the student level, not the aggregate level whenever possible.

SPECIFIC AUDIT PROCEDURES

ALL POPULATIONS

Complete the following audit steps for all populations:

Pupil Enrollment: The ISD auditor must review the CA60s for all sampled students and complete the All Populations Checklist ([Appendix L](#)) to verify the following:

1. Pupil was enrolled on or before the count date or qualified for membership under Section 25e.
2. Proof of identity and age – required for enrollment of a student for the first time.
3. Proof of residency or non-resident eligibility to enroll.

NOTE: When viewing the student CA60, the ISD auditor should complete the All Populations Checklist ([Appendix L](#)). Individual documents which contain Personally Identifiable Information (PII) from the CA60 cannot be copied. This would include, but is not limited to:

- Birth Certificate or other reliable proof of identity
 - Residency documentation such as driver's license, utility bills, rent receipts, etc.
 - Immunization records – ISD auditors are not required to review, as these are not required for FTE membership, however the immunization record is required to be included in a CA60.
 - Court records
 - Discipline records
 - Individualized Education Program (IEP)
- See the PAM for additional pupil identity and residency requirements.

For all populations, the ISD auditor should review and verify the following:

- Class Schedule: Verify each pupil had a complete current class schedule in effect on the count day. Class schedules must be complete without placeholders and must identify all classes in which the pupil is enrolled.
- Attendance Records: Verify the district recorded attendance as prescribed in the Pupil Accounting Manual ([PAM](#)).
 - a. Verify the teacher of record recorded attendance daily. This includes attendance on a class-by-class basis for buildings or programs in which the pupils change classrooms.
 - b. Verify the teacher of record signed in ink (physically or digitally) the original attendance record as required in the PAM (Section 1-4).
 - c. If the district has permission from the pupil membership auditor to participate in "green auditing:"
 - i. Obtain electronic access to the local district attendance records for

- review during the audit process.
- ii. Obtain a certification document from the district that contains the names and dated signatures of all teachers of record, attesting to the accuracy of the electronic attendance documentation or file(s).

- High school diploma or high school equivalency credential: Verify the pupil has not been granted a high school diploma or high school equivalency credential such as the General Educational Development (GED) certificate.
- Teacher Certification: Verify all teachers were appropriately placed, holding a valid Michigan educator credential with the required grade range and discipline or subject area for the assignment, as defined by the Superintendent of Public Instruction. See teacher certification section of this manual.
- Course Credit or Grade Progression: Except for a non-subject area course such as a seminar, verify each class that is counted for membership is capable of generating credit, or required for grade progression. This may be verified by a review of the district's course catalog or building list of classes.

POPULATION I - CONVENTIONAL PUPILS PRESENT ON THE COUNT DAY

AUDIT STEPS

1. Determine the total of building Population (Pop) I pupils. To determine the number of building Pop I pupils, use the following calculation:

Total population
- Pop II (absent on count day)
- Pop III (students participating in special population categories)
= Total Pop I

2. After determining the total number of Pop I pupils, select a random sample on a head count basis. The sample size must be determined using the Building Risk Assessment, [Appendix C](#). The sample may target known risk areas. See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of the pupil's CA60 and document on [Appendix L](#).
4. For Pop I pupils, review the following:
 - a. Student schedules for completeness.
 - b. Count day attendance.
 - c. Total FTE calculation, appropriately calculated between General Education and Special Education, where applicable.
5. Determine and evaluate the audit error rate using Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

POPULATION II - CONVENTIONAL PUPILS ABSENT ON ALL OR PART OF COUNT DAY

AUDIT STEPS

1. Obtain a report of pupils who were absent on count day from the district including:
 - a. Pupil's name.
 - b. Building, grade, and program, if applicable.
 - c. Course name and number or class period, if secondary.
 - d. Date of absence.
 - e. Date of return.
2. Complete the review of the pupil's CA60 and document on [Appendix L](#).
3. Review the absence report to verify all pupils with an excused absence returned within 30 calendar days according to [MCL 380.1606\(8\)](#).
4. Review the absence report to verify all pupils with an unexcused absence returned within 10 consecutive school days according to [MCL 380.1606\(8\)](#).
5. Review the absence report to verify all pupils who were suspended or expelled returned within 45 calendar days according to [MCL 380.1606\(8\)](#).
6. If determined that a pupil did not return within the required number of days, a specific finding should be written including the FTE deduction for the pupil who did not meet the return requirement.
7. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
8. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
9. Issue any general or specific findings if necessary, including any FTE deductions.

Practical Note: Some auditors find it more efficient to select and test all pupils in a sample of the teacher attendance records rather than to select individual pupils for testing. The sample size drawn should be based on risk (e.g., 10% for low risk) and may target known risk areas. The auditor should document on [Appendix F](#), Sample Summary & Analysis 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. If a discrepancy is noted, a general finding should be written. The auditor should perform steps 4 and 5 above for the Population II pupils and, in cases of noncompliance with the 10/30-day rule, expand the individual pupil record audit to class-by-class for return date verification.

POPULATION III - NONCONVENTIONAL PUPILS

AUDIT STEPS

1. Obtain lists from the district of all nonconventional (Pop III) pupils and the pupils' applicable categories from sections 5 and 6 of the [PAM](#).
2. Determine in which Pop III category to test the pupils. Pupils in multiple Pop III categories must be sampled from the category of highest risk as determined by the pupil membership auditor. The sample may target known risk areas.
3. Follow the procedures found in the subsequent applicable Pop III sections of this manual. Note: The procedures found in this manual are not all-inclusive of membership requirements.
4. The [PAM](#) along with the accompanying law, should be consulted to confirm the sample has adequately satisfied all membership requirements.

5-A: ALTERNATIVE EDUCATION PROGRAMS

The [PAM](#) provides detailed guidance on the requirements for the 5-A Alternative Education Programs. See link for the membership requirements subject to audit.

5-A AUDIT STEPS

1. Obtain the list of pupils participating in 5-A, Alternative Education Programs, for sampling. A pupil participating under this section must be coded as an alternative education pupil in MSDS.

A district operating under a department approved days and hours waiver must adhere to the minimum number of student instructional days and hours identified in the waiver. Qualifying professional development time may not be included as instructional time when requesting a waiver.

2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-A in the PAM.
 - a. Review the pupil's schedule to verify completeness.
 - b. The pupil was enrolled on or before the specified count day.
 - c. The pupil and an appropriately placed teacher, or an individual working under a valid substitute permit, authorization, or approval issued by the Department, were present and engaged in instruction.
 - d. The pupil was enrolled in and attending courses that are earning credit toward a high school diploma or grade-level progression, as applicable.
 - e. Attendance was taken and documentation was provided to ensure that the pupil attended the number of hours scheduled.
 - f. The pupil did not generate more FTE per course than would be generated by a pupil in a traditional classroom setting.
 - g. The course was approved by the board of education of a school district or the board of directors of a public school academy. (This may be confirmed by a review of the school district course catalog or board meeting minutes.)
 - h. The pupil was at least 16 years of age on September 1 of the school year if the pupil was educated in the same program or classroom as adult education participants.
 - i. For an alternative education learning lab, the pupil must be scheduled for a specified number of lab hours per week and a weekly sign-in and sign-out sheet is necessary to document the actual number of hours per week the pupil attended, or the district and the pupil membership auditor must agree to a methodology to track attendance prior to the start of the school year.

5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

5-B: COOPERATIVE EDUCATION PROGRAMS

The [PAM](#) provides detailed guidance on the requirements for the 5-B population. See link for the membership requirements subject to audit.

5-B AUDIT STEPS

1. Obtain the list of pupils participating in 5-B, Cooperative Education, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-B in the PAM.
 - a. The pupil and teacher certified for the grade level, or a working under a valid substitute permit, authorization, or approval issued by the Department, were present and engaged in instruction.
 - b. The pupil was enrolled on or before the specified count day to be eligible for membership purposes.
 - c. The course was board-approved and is capable of generating high school credit or grade-level progression.
 - d. The sum of the FTE counted by the educating district and the resident district does not exceed 1.0 FTE.
 - e. A written agreement to provide certain educational programs existed between the involved districts. A copy of the agreement was maintained and details the following:
 - i. A program alpha list with the pupil's legal name, UIC number, and the resident district name.
 - ii. The name of the district that will maintain the program attendance records.
 - iii. The name of the district that will maintain the program schedule detailing the number of instructional hours scheduled for the year.
 - iv. The name of the district that will fulfil the pupil reporting requirements.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).

6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

5-C: HOME-BASED PUPILS

The [PAM](#) provides detailed guidance on the requirements for the 5-C population. See link for the membership requirements subject to audit.

5-C AUDIT STEPS

1. Obtain the list of pupils participating in 5-C, home-based pupils, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-C in the PAM.
 - a. The pupil and teacher certified for the grade level, or an individual working under a valid substitute permit, authorization, or approval issued by the Department, were present and engaged in instruction during two nonconsecutive one-hour periods per week.
 - b. The pupil was enrolled and had attended on or before the specified count day to be eligible for membership purposes.
 - c. The district provided instructional materials, resources, and supplies that were comparable to those otherwise provided in the district's alternative education program. (Verify by confirming this information with the teacher of record.)
 - d. Course content was comparable to that of the alternative education program. (Verify by confirming this information with the teacher of record.)
 - e. The course was capable of generating credit toward a high school diploma. Earned credit was recorded on the pupil's transcript. (Transcripts should be provided to the ISD auditor.)
 - f. The district provided at least two one-hour sessions of individualized instruction per week. A pupil under a mandatory expulsion will be capable of generating 1.0 FTE from these sessions alone. A pupil who is not under mandatory expulsion will have his/her membership pro-rated based on the number of instructional hours provided versus the number required under Section 101.

- g. Instructional time may be provided face-to-face or through a synchronous platform such as Zoom.

If a pupil was temporarily unable to receive services, the teacher documented the reason for the interruption in services and had the parent initial the documentation for the district's records. If a pupil was unable to participate in home-based services during the count period, no FTE shall be claimed.

If a pupil returned from this placement to the traditional school environment during the count period and met the attendance requirement for each course on the pupil's schedule, the membership for the pupil may be claimed. If the pupil returned from this placement and attended school via a virtual program under Section 5-0-D of this manual, and the pupil completed the attendance requirement as stated in that section for the remaining weeks of the count period, the membership may be claimed.

5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

5-D: HOMEBOUND AND HOSPITALIZED PUPILS

The PAM provides detailed guidance on the requirements for the 5-D Population. See link for the membership requirements subject to audit.

5-D AUDIT STEPS

1. Obtain the list of pupils participating in 5-D, a homebound/hospitalized program, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-D in the PAM.
 - a. An appropriate physician, hospital, or licensed treatment facility certified the pupil as homebound or hospitalized.
 - i. Evidence must consist of certification from a physician who is either an M.D. or a D.O. If the student was seen by the physician's assistant or nurse practitioner, the written certification must bear the signature of an M.D. or a D.O.

- ii. The certification must state the pupil has a medical condition that requires the pupil be confined to the home or hospitalized during regular school hours for a period longer than five (5) consecutive school days.
- iii. This includes pupils in psychiatric hospitals, substance abuse centers, and pupils placed in other medical facilities by the parent or medical practitioners.
- iv. A student may not be certified as eligible by a psychologist, chiropractor, or other professional, however, an appropriate physician, hospital, or licensed treatment facility may certify a recommendation made by a person in one of these professions.
- b. The pupil was provided a homebound/hospitalized teacher who is appropriate for the pupil's grade level.
- c. Instructional services were provided as follows:
 - i. For a general education pupil, a minimum of two 45-minute periods of instructional service per week.
 - ii. For a pupil with an individualized education plan (IEP), a minimum of two nonconsecutive hours of instructional service per week. A certified special education teacher must have provided instructional service if the pupil's IEP specifically mentions homebound services with a certified special education teacher. Please note this requirement is dependent upon the existence of an IEP rather than special education FTE being claimed for a pupil. The amount of time between the nonconsecutive instructional periods will depend on the individual pupil's needs.

Note: A district may modify the length of the individualized sessions per week to allow for shorter sessions to be delivered where doing so is beneficial to the pupil. For example, a general education pupil might be offered three 30-minute sessions during a week, or for a pupil with an IEP, the district might offer four 30-minute sessions during a week.

- d. The pupil received instructional service during the count period, and there were appropriate attendance records showing the dates and the amount of time the pupil received homebound or hospitalized services.
 - e. The teacher(s) of record (the district program or classroom teacher to whom the enrolled pupil was originally assigned within the district) must have:
 - i. Recorded the pupil as having an excused absence on the count day.
 - ii. Provided the instructional content to the pupil through the homebound/hospitalized teacher.
 - iii. Provided all necessary instructional materials such as textbooks and work pages.
 - iv. Given the grade or credit for the class or subject.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.

7. Issue any general or specific findings if necessary, including any FTE deductions.

5-E: NONPUBLIC AND HOMESCHOOLED PUPILS

The PAM provides detailed guidance on the requirements for the 5-E population. See link for the membership requirements subject to audit.

5-E AUDIT STEPS

1. Obtain the list of pupils participating in 5-E, a nonpublic - homeschool shared time program, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-E in the PAM.
 - a. The pupil and teacher certified for the grade level, or an individual working under a valid substitute permit, authorization, or approval issued by the Department, were present and engaged in instruction.
 - b. If instruction was provided at the nonpublic school site, the nonpublic school was registered with the Department as a nonpublic school and met all state reporting requirements for nonpublic schools. ([Nonpublic Membership Report](#))
 - c. The course was part of the pupil's class schedule and not an extracurricular activity.
 - d. The curricular offering was offered and available to full-time pupils in the minor's grade level or age group in the district or public school academy at a public school site. In addition, optional learning experiences are offered and available to a majority of full-time public school pupils of the same age and grade level. (The courses and the optional learning experiences must be included in the district course catalog.)
 - e. The curricular offering was restricted to nonessential elective courses. Nonessential courses are defined in the State School Aid Act, [MCL 388.1766b](#). See the PAM for additional information.
 - f. The pupil was not counted as more than 0.75 of a full-time equated membership. If the pupil was enrolled in more than one school district, the FTE combined from all school districts must not equal more than 0.75.
 - g. The course length and grading system must be like that of the course offered to public school pupils.
 - h. Daily attendance records were maintained by a teacher certified for the grade level, or an individual working under a valid substitute permit, authorization, or approval issued by the Department, who is identified as the teacher of record for the course.

- i. The nonpublic or home school pupil was enrolled and attending courses provided at a district, public school academy, or intermediate district site; or the nonpublic pupil was enrolled and attending courses provided by a district, public school academy, or intermediate district at the nonpublic school site; or the homeschooled pupil was enrolled and attending courses provided by his or her resident district at the nonpublic school site.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
 6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
 7. Issue any general or specific findings if necessary, including any FTE deductions.

5-F: PART-TIME PUPILS

The PAM provides detailed guidance on the requirements for the 5-F population. See link for the membership requirements subject to audit.

5-F AUDIT STEPS

1. Obtain the list of pupils participating in 5-F, part-time pupils, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-F in the PAM.
 - a. The pupil and teacher certified for the grade level, or an individual working under a valid substitute permit, authorization, or approval issued by the Department, were present and engaged in instruction.
 - b. A local or intermediate school district (ISD) may count a pupil for a part-time membership if the district had evidence of all of the following:
 - i. The pupils were enrolled and attending one or more classes in the district.
 - ii. The sum of the total FTE for a pupil who was enrolled in more than one district did not exceed 1.0 FTE. The FTE for a pupil who was enrolled and counted by more than one district but not as part of a cooperative agreement, is determined as follows:
 1. If the sum of the hours the pupil was enrolled and attending in both districts exceeds the minimum required hours, use the sum of the hours from both districts as the denominator to calculate the FTE.
 2. If the sum of the hours the pupil was enrolled and attending in both districts was less than the minimum required hours, use the minimum required hours as the denominator.

- c. A nonresident pupil who does not qualify for an exemption under [MCL 388.1606\(6\)](#) of the State School Aid Act has the permission of the resident district if the nonresident pupil was receiving more than one-half of his or her education from the district counting the membership FTE.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

5-G-A: POSTSECONDARY AND CAREER AND TECHNICAL EDUCATION DUAL ENROLLMENT

The [PAM](#) provides detailed guidance on the requirements for the 5-G-A population. See link for the membership requirements subject to audit.

5-G-A AUDIT STEPS

1. Obtain the list of pupils participating in 5-G-A, a postsecondary and career and technical education dual enrollment program, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-G-A in the PAM.
 - a. The pupil was enrolled in one of grades 9-12, or the district has determined, consistent with statute, enrollment of a pupil in another grade level (i.e. 7-8) was in the student's best educational interest.
 - b. The pupil was concurrently enrolled in and attended at least one high school course.
 - c. The eligible postsecondary institution submitted to the district, on behalf of the eligible pupil, a notice indicating the course(s) in which the pupil is enrolled, the hours of enrollment, and a list of eligible charges.
 - d. The district paid the eligible charges as defined under the dual enrollment acts related to the pupil's postsecondary enrollment up to a prorated part of the statewide pupil-weighted average foundation that is allocated to each course. If the tuition or charges have been reduced or waived by the postsecondary institution, a reduced or waived amount of tuition is allowable with documentation from the postsecondary institution noting the deviation. A link to the statewide pupil-weighted average foundation is available in the PAM.
 - e. The postsecondary education course or career and technical preparation

- course was included in the pupil's schedule during the count period. The course may be scheduled to occur outside of the regular school year if the pupil was registered for the course and the course was paid in full.
- f. The postsecondary course(s) was academic in nature or applicable to career preparation. The postsecondary course(s) applied toward the satisfaction of certificate, degree, or program completion requirements, and was not in the subject areas of physical education, theology, divinity, or religious education. Hobby craft and recreational courses are not eligible under the dual enrollment acts. (This may be confirmed by the district or postsecondary course catalog.)
 - g. The pupil did not participate in intercollegiate athletics at the postsecondary institution while he or she is enrolled under the dual enrollment acts. (This should be confirmed with the district, or in a statement from the postsecondary institution.)
 - h. The pupil was not enrolled in high school for more than four school years, including the school year in which the pupil sought to enroll in an eligible course under the dual enrollment acts See the PAM for exceptions.
 - i. The pupil was enrolled in no more than a total of 10 postsecondary courses, as defined in [MCL 388.513\(1\)\(d\)](#) and 388.1903(1)(e),. See the PAM for exceptions
 - j. The postsecondary course was not offered by the local public school in which the eligible pupil was enrolled. See the PAM for exceptions.
 - k. The career and technical preparation program was not offered through the school district, intermediate school district (ISD), area vocational-technical education program, or state-approved nonpublic school in which the pupil was enrolled, or the course was unavailable to the eligible pupil due to a scheduling conflict beyond the eligible pupil's control.
 - l. **If the pupil's enrollment in postsecondary options under this section causes the pupil to receive less than the number of instructional hours required to be considered full-time, but at least the number of instructional hours to meet 80% of full-time, the membership must not be prorated.**

5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

5-G-B: EARLY MIDDLE COLLEGE PUPILS

The PAM provides detailed guidance on the requirements for the 5-G-B population. See [link](#) for the membership requirements subject to audit.

5-G-B AUDIT STEPS

1. Obtain the list of pupils participating in 5-G-B, early middle college, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-G-B in the PAM.
 - a. The pupil met pupil membership eligibility requirements of [MCL 388.1606\(4\) or \(6\)](#).
 - b. The pupil was enrolled in a school district that had a separate designation in the Educational Entity Master (EEM) indicating that the district provides an early middle college school or early middle college program.
 - c. The latest a pupil was first reported with participation code 3500 in the MSDS was the CEPI fall general collection certification deadline while the pupil was enrolled in grade 11. To maintain proper enrollment in the EMC program, the student was reported with the 3500 participation code in each General Collection and SRM.
 - d. The pupil had not satisfied the five-year Program of Study and all graduation requirements.
 - e. The pupil was enrolled in at least one math or math-related class during the pupil's final year.
 - f. The pupil was not a foreign exchange pupil enrolled under a cultural exchange program.
 - g. The pupil had at least one parent or legal guardian who is a Michigan resident.
 - h. The pupil was enrolled in at least one course in the fifth year that earns high school credit during each count period.
 - i. **If the pupil's enrollment in postsecondary options under this section causes the pupil to receive less than the number of instructional hours required to be considered full-time, but at least the number of instructional hours to meet 80% of full-time, the membership must not be prorated.**
4. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
5. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
6. Issue any general or specific findings if necessary, including any FTE deductions.

5-G-C POSTSECONDARY GIFTED AND TALENTED PROGRAMS

The PAM provides detailed guidance on the requirements for the 5-G-C population. See [link](#) for the membership requirements subject to audit.

5-G-C AUDIT STEPS

1. Obtain the list of pupils participating in 5-G-C, postsecondary gifted and talented programs, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-G-C in the PAM.
 - a. A teacher certified for the grade level, or an individual working under a valid substitute permit, authorization, or approval issued by the Department, was assigned as the teacher of record for the gifted and talented course. The college professor cannot act as the teacher of record for a course that does not earn college credit.
 - b. The course was part of the pupil's class schedule and was not an extracurricular activity.
 - c. The district paid the full course tuition or the minimum tuition amount (based on the formula in the Pupil Accounting Manual), whichever was less.
 - d. On days when the gifted and talented course does not meet off-site, pupils reported to class with the assigned teacher of record and attendance was taken.
 - e. On successful completion of a gifted and talented postsecondary partner course, the district awarded academic credit toward grade progression or graduation requirements.
 - f. If transportation was provided, the cost of transportation was not used to offset the minimum tuition amount.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

5-H: REDUCED SCHEDULE PUPILS

The PAM provides detailed guidance on the requirements for the 5-H population. See [link](#) for the membership requirements subject to audit.

5-H AUDIT STEPS

1. Obtain the list of pupils participating in 5-H, reduced schedule pupils, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-H in the PAM.
 - a. The pupil was enrolled in grades 9 to 12.
 - b. The pupil or pupil's parent or guardian submitted a written request for a reduced schedule that details the reason that a reduced schedule would be in the best educational interest of the pupil.
 - c. The local school district's counselor, or other authorized representative, evaluated the reason for the request and determined that a reduced schedule was in the best educational interest of the pupil and signed and dated the approval.
 - d. The local school district scheduled the pupil for at least 80% of the minimum hours of instruction or 75% for block schedules for the school year as defined by the PAM.
 - e. For an IEP Reduced Schedule - verify the special education pupil met required days and hours as defined by the PAM or as stated in the individual pupil's IEP.
 - f. The documentation supporting an IEP reduced schedule must be provided by an M.D. or D.O. If the documentation was provided by a physician's assistant or nurse practitioner, the document must also be signed by the M.D. or D.O.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

5-I: SECTIONS 105 AND 105c SCHOOLS OF CHOICE

The PAM provides detailed guidance on the requirements for the 5-I population. See link for the membership requirements subject to audit.

5-I AUDIT STEPS

1. Obtain the list of pupils participating in 5-I, §105 or §105c, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.

3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-I in the PAM.
 - a. A local school district that elected to enroll pupils under a Section 105 or 105c schools of choice program may count a nonresident pupil in membership if the district has evidence that the pupil meets one of the following criteria:
 - i. The pupil was a resident of another district within the same ISD. For this pupil, all schools of choice, Section 105, criteria must be met.
 - ii. The pupil was a resident of another district within an ISD that is contiguous to the educating district's ISD. For this pupil, all schools of choice, Section 105c, must be met.
 - iii. The pupil was enrolled in and attended the district in the school year or semester immediately preceding the school year or semester in question under Sections 105 or 105c.
 - iv. The pupil was enrolled continuously in the district as a Section 105 or 105c pupil since the year in which the district began enrolling pupils under Sections 105 and 105c.
 - v. An applicant pupil may be given enrollment preference if residing in the same household as a pupil already enrolled under Section 105 or 105c.
 - b. A local school district that enrolled a pupil with a disability under a Schools of Choice program will become that pupil's resident district for purposes of providing a free and appropriate public education (FAPE).

Section 105c (contiguous) contains an additional requirement that the enrolling district shall have a written agreement with the resident district prior to the enrollment. The written agreement must include, but is not limited to, an agreement on the responsibility for the payment of the added costs of special education programs and services for the pupil.
 - c. Non-resident pupils may be counted in membership and not considered school of choice if any of the following are met:
 - i. Parent paid tuition for the pupil
 - ii. A pupil accepted after the specific deadlines for school of choice have passed.
 - iii. Approval is obtained from the resident district.
4. A district shall continue to allow a school of choice pupil who was enrolled and in attendance in the district until the pupil graduates from high school, as long as the pupil continued to be a resident of Michigan. This does not prohibit a district from expelling a pupil for disciplinary reasons.
 - a. The district must have abided by specific timelines and complied with specific criteria in the application and selection process. A district that is noncompliant with Section 105 or 105c is subject to a state school aid penalty.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.

7. Issue any general or specific findings if necessary, including any FTE deductions.

5-K: SPECIAL EDUCATION EARLY CHILDHOOD PROGRAMS AND SERVICES

The PAM provides detailed guidance on the requirements for the 5-K population. See link for the membership requirements subject to audit.

5-K AUDIT STEPS

1. Obtain the lists of pupils participating in 5-K, special education early childhood, Section 340.1754 and Section 340.1755, for sampling.
2. Select a random sample of the pupils from each Section 340.1754 and Section 340.1755 on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-K in the PAM.
 - a. For pupils educated under Administrative Rule 340.1754 (Special Education programs):
 - i. The pupil met pupil membership eligibility requirements.
 - ii. The pupil was registered, enrolled and participating on or before count day.
 - iii. Instruction was provided by an approved or endorsed early childhood special education teacher.
 - iv. The program was available for a minimum of 360 clock hours and 144 days of instruction and noted on the district's program calendar.
 - v. The pupil's IEP identified the R340.1754 Early Childhood special education program.
 - b. For pupils educated under Administrative Rule 340.1755 (Special Education services):
 - i. The pupil's IEP was on file and effective as of the count day and identifies the pupil as a Section 1755 Early Childhood special education pupil
 - ii. The pupil was assigned to an approved or endorsed early childhood Special Education teacher or approved related service provider on or before the count day.
 - iii. Confirm the pupil was scheduled for a minimum of 72 hours of service over one program year and are included on the district's program calendar.
 - iv. Review service logs to verify and calculate the date and duration of services provided to the pupil.
 - v. Verify pupil's claimed FTE was submitted on a Worksheet A/B.
 - c. For pupils educated under Administrative Rule 340.1862 Individualized Family Service Plan (IFSP):
 - i. Verify the pupil met eligibility requirements and was registered, enrolled, and participating in the courses.

- ii. The pupil was assigned to an approved or endorsed early childhood special education teacher or approved related service staff on or before the count day.
 - iii. Verify the pupil's IFSP reflects R 340.1862 with a minimum of 72 hours of service scheduled over one calendar year.
 - iv. Verify the pupil received services during the count period.
 - v. The pupil's IFSP must identify services, complete with the frequency, length (time per session), duration (start and end dates), and location of the services and it must indicate the child was eligible for Michigan mandatory special education under Rule 340.1862.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
 6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
 7. Issue any general or specific findings if necessary, including any FTE deductions.

5-L: SPECIAL EDUCATION PUPIL TRANSITION SERVICES

The PAM provides detailed guidance on the requirements for the 5-L population. See link for the membership requirements subject to audit.

5-L AUDIT STEPS

1. Obtain the list of pupils participating in 5-L, special education pupil transition services, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-H in the PAM.
 - a. The pupil and special education teacher certified for the grade level, or an individual working under a valid substitute permit, authorization, or approval issued by the Department were present and engaged in instruction.
 - b. The pupil met the 1,098 hours requirement to be counted full-time. A pupil receiving less than 1,098 hours of pupil instruction results in a prorated FTE.
 - c. In addition to the above, the ISD auditor must verify the following for transition community living experiences membership pupils:
 - i. The district had a training plan and training agreement with the community living experience in place by the membership count day.

- ii. The community living experiences component was approved by the local school board.
 - iii. The community living experience objectives were not general, such as punctuality or good work habits.
 - iv. The community living experiences were monitored by a designated school special education teacher.
 - v. The experiences were documented on the pupil's schedule.
 - vi. A grade or credit was given.
 - vii. Pupil attendance was taken and maintained to verify records of the attendance.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
 6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
 7. Issue any general or specific findings if necessary, including any FTE deductions.

5-M: SPLIT-SCHEDULE PUPILS

The PAM provides detailed guidance on the requirements for the 5-M population. See link for the membership requirements subject to audit.

5-M AUDIT STEPS

1. Obtain the list of pupils participating in 5-M, split-schedules, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-M in the PAM.
 - a. The district determined the total number of instructional hours provided to the student by adding together the hours at each building/program.
 - b. Each building claimed the appropriate FTE by dividing the number of hours in that building by the total number of hours provided to the pupil district wide.
 - c. The total FTE for the student (sum of all buildings/programs) was not more than 1.0 FTE.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.

7. Issue any general or specific findings if necessary, including any FTE deductions.

5-N: PUPILS WITH SUSPENSIONS AND EXPULSIONS

The PAM provides detailed guidance on the requirements for the 5-N population. See link for the membership requirements subject to audit.

5-N AUDIT STEPS

1. Obtain the list of pupils participating in 5-N, suspensions and expulsions, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-N in the PAM.
 - a. The pupil was enrolled and receiving instruction.
 - b. The pupil was provided instruction by a teacher certified for the grade level, or an individual working under a valid substitute permit, authorization, or approval issued by the Department.
 - c. The attendance record of the teacher of record showed the pupil was absent from class due to suspension.
 - d. Attendance was taken where the pupil was served.
 - e. The pupil received instruction that produced credit and/or grade progression.
 - f. The district and the pupil collaborated to develop an instructional plan.
 - g. All instructional materials were provided by the district.
 - h. Short-term Suspensions (10 days or less) were conducted much like an "in-house suspension".
 - i. For pupils who have been permanently expelled, verify the following:
 - i. The FTE is prorated based on the actual annualized hours the pupil is enrolled and in attendance on the count date compared to the minimum required hours for a full-time pupil.
 - ii. The district provided the pupil with two one-hour nonconsecutive individual instruction per week, following the home-based procedure to count the pupil for 1.0 FTE.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

5-0-A: DISTANCE LEARNING AND INDEPENDENT STUDIES

The PAM provides detailed guidance on the requirements for the 5-0-A population. See [link](#) for the membership requirements subject to audit.

5-0-A AUDIT STEPS

1. Obtain the list of pupils participating in 5-0-A, distance learning and independent studies, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-0-A in the PAM.
 - a. A teacher certified for the grade level, or an individual working under a valid substitute permit, authorization, or approval issued by the Department, was assigned and involved in the instructional process.
 - b. The pupil was enrolled in the course and the course title (as published in the course catalog or list) or board-approved course name is reflected on the pupil's class schedule and transcript.
 - c. The course generated credit toward a high school diploma or grade progression. Earned credit was recorded on the pupil's transcript.
 - d. The course was approved by the board of education of the school district or board of directors of the public school academy.
 - e. The course generated an amount of FTE that was comparable to the FTE that the course would generate if offered through a traditional format.
 - f. Course Limits.
 - i. Distance learning: No limit.
 - ii. Independent study: Two courses per semester or trimester.
 - g. Grade Eligibility.
 - i. Distance learning: K-12.
 - ii. Independent study: 9-12.
 - h. For independent study, the pupil must have been concurrently enrolled and attending at least one other course offered by the district in which credit is earned and regular attendance was required.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

5-O-B: OFFLINE SEAT TIME WAIVER PROGRAMS

The flexibility formerly granted under this section may be used, in most cases, through 5-O-A: Distance Learning & Independent Studies, or 5-O-D: Virtual Learning Options. Other information may be found in the Michigan Flexibility Guide.

5-O-C: CYBER SCHOOLS

The PAM provides detailed guidance on the requirements for the 5-O-C population. See [link](#) for the membership requirements subject to audit.

5-L-C AUDIT STEPS

1. Obtain lists from the district of all pupils participating in 5-O-C.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-O-C in the PAM.
 - a. The pupil was registered, enrolled, and participating in the course(s) on the pupil membership count day or the supplemental count day pursuant to Section 6(4), Section 6(8) and Section 6a of the State School Aid Act ([MCL 388.1606\(4\)](#), [MCL 388.1606\(8\)](#), and [MCL 388.1606a](#)).
 - b. The cyber school provided full-time instruction, and each pupil had a schedule based on the school's criteria for a full-time pupil. See the Pupil Accounting Manual for more detail.
 - c. The pupil participated in each scheduled course on count day to satisfy the participation requirement. See the PAM for more information.
 - d. Non-sequential learners:, one or more of the following must be met to satisfy the attendance requirement:
 - i. The pupil attended a live lesson from the teacher.
 - ii. The pupil logged into a lesson or lesson activity and the login was documented.
 - iii. The pupil and teacher engaged in a subject-oriented telephone conversation.
 - iv. There is documentation of an email dialogue between the pupil and teacher.
 - v. There is documentation of activity or work between the learning coach and pupil.
 - vi. An alternate form of attendance as determined and agreed upon by the cyber school and pupil membership auditor was met.
 - e. For a pupil using sequential learning, the participation requirement may be satisfied as follows:

- i. The pupil and the teacher of record or mentor must have completed a two-way interaction relevant to course content or progress for one course per week for each of the four week count period. -OR-
- ii. The pupil must complete a combination of one or more of the following activities for each scheduled course on count day:
 1. Documented attendance in a virtual course where synchronous (live) instruction occurred with the teacher.
 2. Documented completion of a course assignment.
 3. Documented completion of a course lesson or lesson activity.
 4. Documented pupil access to an on-going lesson; this is not a login.
 5. Documented physical attendance on count day in each scheduled course may be used for pupil who will attend at least 50% of the instructional time for each scheduled course, on-site, face-to-face with the teacher of record.
- iii. For sequential learners: If a pupil is taking more than 2 virtual courses, the district must work with the pupil to create an educational development plan that reflects the expected attempt dates for all scheduled courses.
- iv. The district must provide to the ISD pupil auditor proof of payment for each course included on the pupil's class schedule.

Note: Per section 8c of the State School Aid Act ([MCL 388.1608c](#)), a cyber school must provide documentation of participation necessary to secure membership during the count period. A cyber school is not required to provide documentation of participation outside of the count period.

5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

5-O-D: VIRTUAL LEARNING OPTIONS

The PAM provides detailed guidance on the requirements for the 5-O-D population. See [link](#) for the membership requirements subject to audit.

As stated in Michigan Department of Education memos [2021-132](#) and [2022-027](#), MDE must identify and evaluate districts' use of virtual learning centers, including locations that serve as a business or commercial operation prior to functioning as a virtual learning center.

ISD auditors must verify districts report all physical buildings in the EEM if used by six or more people at one time for educational purposes. Physical virtual learning center buildings should be reported as non-instructional ancillary facilities.

5-O-D AUDIT STEPS

1. Obtain lists from the district of all pupils participating in 5-O-D.
2. If the district operates any building(s) with six or more persons at any one time for virtual educational purposes, ensure the building(s) is(are) included in the EEM. Buildings, including those used for virtual education of six or more students at a time, should be periodically visited by the !SD as part of the field audit schedule.
3. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
4. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
5. Verify the sampled pupils satisfied the requirements of 5-O-D in the PAM.
 - a. Except for a course provided by a community college, a teacher under a valid certificate, substitute permit, authorization, or approval issued by the Department was assigned and involved in the instructional process as described in the Pupil Accounting Manual.
 - b. The pupil was enrolled in the course on count day and the course title (as published in the course catalog or listing) or board-approved course name was reflected on the pupil's class schedule and transcript and was identified as a virtual course.
 - c. The course was capable of generating credit toward a high school diploma. Earned credit was recorded on the pupil's transcript.
 - d. A mentor was assigned to the pupil.
 - e. The pupil had parent or legal guardian consent for enrollment in the virtual course(s). Consent is not required if the pupil was at least age 18 or was an emancipated minor.
 - f. Each course was selected from the course syllabus published in the statewide virtual course catalog maintained by the Michigan Virtual or from the district or intermediate school district (ISD) catalog or list of board-approved courses.
 - g. The course must not have generated more FTE than a comparable course if offered in a traditional format.
 - h. Membership will be calculated based on instructional time, considering approved waivers and other deviations for pupils such as reduced schedules.
 - i. The participation requirement was satisfied for membership purposes.
 - i. The pupil and the teacher of record or mentor completed a two-way interaction for one course per week for each week of the four-week count period. (For pupils who do not meet the participation requirements for each week of the count period, the FTE must be pro-rated by 25% per week). -OR-
 - ii. The pupil completed a combination of one or more of the following activities for each scheduled course on count day:
 1. Documented attendance in a virtual course where synchronous (live) instruction occurred with the teacher.
 2. Documented completion of a course assignment.

3. Documented completion of a course lesson or lesson activity.
 4. Documented pupil access to an on-going lesson; this is not a login.
 5. Documented physical attendance on count day in each course may be used for pupils who will attend at least 50% of the instructional time for each virtual course, face-to-face with the teacher of record.
 6. For pupils who were absent on count day and who participate using one of these options, the pupil must meet the 10/30 day rule for participation.
 7. If the pupil was enrolled in more than two (2) virtual courses in an academic term, semester, or trimester, each of the following conditions must have been met:
 1. The district determined that such enrollment was in the best interest of the pupil.
 2. The pupil agreed with the recommendation of the district.
1. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
 2. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
 3. Issue any general or specific findings if necessary, including any FTE deductions.

Note: See the PAM for additional requirements regarding virtual learning.

5-P: WORK-BASED LEARNING EXPERIENCES, APPRENTICESHIPS, AND INTERNSHIPS

The PAM provides detailed guidance on the requirements for the 5-P population. See link for the membership requirements subject to audit.

5-P AUDIT STEPS

1. Obtain the list of pupils participating in 5-P, work-based learning experiences, apprenticeships, and internships, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-P in the PAM.
 - a. The experience was monitored by a teacher certified for the grade level, or an individual working under a valid substitute permit, authorization, or approval issued by the Department. For CTE Work-Based Learning, the

- teacher must be a person who is CTE-endorsed or has extensive knowledge of career and technical education.
- b. Verify the pupil was enrolled in grades 9-12.
 - c. Verify a pupil who participated in an internship or work experience was granted board approved credit and had parent or legal guardian permission.
 - d. Verify site visits were conducted as required in the PAM.
 - e. The pupil was eligible to receive credit toward a high school diploma for the experience.
 - f. Verify the pupil attended the internship or work experience for a minimum of 4 hours per week, but no more than 10 hours per week.
 - g. The experience did not generate more than one-half of the pupil's membership up to 0.5 FTE.
 - h. The pupil must have at least one high school course scheduled, which may be the course used to anchor the experience.
 - i. The district had a written training agreement and training plan in place by the count date. If any components of the training agreement or training plan are incomplete, the ISD auditor should write a general finding and notify the Department.
 - j. The employer or certified teacher/coordinator maintained and verified records of the pupil's attendance throughout the duration of the training agreement.
 - k. Safety instruction appropriate to the placement was provided by the district or employer and documented in either the training plan or training agreement.
 - l. The district verified the pupil was covered under workers' disability compensation (if the pupil was in a paid placement) and general liability insurance, unless the employer has received a "Notice of Exclusion" from the Workers Compensation Agency. This form must be maintained as part of the student record.
 - m. Federal and state regulations regarding the employment of minors were followed.
 - n. The district must provide written certification acknowledging compliance with program-level requirements found in the work-based learning companion document.
 - o. The pupil has class periods designated as work-based learning on the class schedule. See the PAM for scheduling requirements.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
 6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
 7. Issue any general or specific findings if necessary, including any FTE deductions.

5-Q-C: VISA PROGRAM PUPILS

The PAM provides detailed guidance on the requirements for the 5-Q-C population. See link for the membership requirements subject to audit.

5-Q-C AUDIT STEPS

1. Obtain the list of all pupils participating in 5-Q-C, VISA program, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 5-Q-C in the PAM.
 - a. The pupil has not met all requirements to be eligible to receive a high school diploma or a high school equivalency certificate.
 - b. The pupil meets the age of enrollment requirements established by the State School Aid Act, [MCL 388.1606 \(4\)\(1\)](#), and the age and identity have been verified in accordance with the Revised School Code ([MCL 380.1135](#)). (This may be verified by a review of the student's visa.)
 - c. The pupil and teacher certified for the grade level, or an individual working under a valid substitute permit, authorization, or approval issued by the Department, were present and engaged in instruction.
 - d. The pupil was enrolled in all courses on or before count day and the course title (as published in the course catalog or list) or board-approved course name is reflected on the pupil's class schedule and transcript.
 - e. The course was capable of generating credit toward a high school diploma. Earned credit was recorded on the pupil's transcript.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

6-A: EXPERIENTIAL LEARNING COURSES

The PAM provides detailed guidance on the requirements for the 6-A population. See link for the membership requirements subject to audit.

6-A AUDIT STEPS

1. Obtain the list of all pupils participating in 6-A, experiential learning, for sampling.

2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 6-A in the PAM.
 1. A teacher certified for the grade level, or an individual working under a valid substitute permit, authorization, or approval issued by the Department, was the teacher of record who provided the instruction.
 2. The pupil was enrolled in grades 9 to 12.
 3. The course is a combination of instruction and direct experience.
 4. The primary responsibility of the teacher of record of the course must have delivered instruction to the enrolled pupils. The teacher must not have concurrently taught another course.
 5. A grade and credit were given based on assessment of more than general employability skills and included assessment of knowledge and mastery of skills specific to the direct experience.
 6. Attendance was taken and documented for both the classroom instruction and the direct experience components of the course.
 7. The course (including direct experience), the curriculum, and the learning objectives were approved by the local school district board.
 8. The board-approved curriculum and course had identifiable content standards and expectations specific to the direct experience and were progressive in nature.
 9. The learning objectives were but related to skills specific to the direct experience and not limited to general employability skills.
 10. The experiential learning course was not used as the sole course requirement for eligibility to participate in dual enrollment.
 11. The pupil was limited to one experiential learning course per semester.
 12. The pupil did not replace an employee when engaging in the direct experience component of the course.
 13. The pupil had an educational development plan (EDP) in place.
 14. The experiential learning must be identified as an actual course name on the student schedule. A placeholder is not allowable. For example, a school district might call the course "Teacher Cadet - Experiential Learning".
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

6-B: PEER-TO-PEER ELECTIVE COURSE CREDIT PROGRAM

The PAM provides detailed guidance on the requirements for the 6-B population. See link for the membership requirements subject to audit.

6-B AUDIT STEPS

1. Obtain the list of all pupils participating in 6-B, peer-to-peer elective course credit programs, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.
3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 6-B in the PAM.
 - a. The pupil was enrolled in grades 6-12.
 - b. The curriculum was approved by the local board of education.
 - c. Instructional objectives were established by the approved peer-to-peer support curricular content.
 - d. The peer-to-peer pupil was provided a course syllabus.
 - e. The peer-to-peer teacher provided lesson plans and the grading criteria for each peer-to-peer course or credit.
 - f. The teacher recorded daily attendance for the peer-to-peer pupil.
 - g. The teacher of record completed pupil assessment and grading.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
6. If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
7. Issue any general or specific findings if necessary, including any FTE deductions.

6-C: FUTURE PROUD MICHIGAN EDUCATOR EXPLORE PROGRAMS

The PAM provides detailed guidance on the requirements for the 6-C population. See link for the membership requirements subject to audit.

6-C AUDIT STEPS

1. Obtain the list of all pupils participating in 6-C, future proud Michigan educator explore programs, for sampling.
2. Select a random sample of the pupils on a head count basis. The sample size must be determined using the entire Pop III risk percentage from the Building Risk

Assessment, [Appendix C](#). See "Risk Assessment and Sample Selection" in Chapter 2 of this manual.

3. Complete the review of CA60s for sampled pupils and document on [Appendix L](#).
4. Verify the sampled pupils satisfied the requirements of 6-C in the PAM.
 - a. The district met the teacher certification requirements for the model and placement type selected for the pupil. See the PAM for the definition of model and placement type.
 - b. The district satisfied the attendance requirement as defined for the model and placement type selected for the pupil.
 - c. The pupil was enrolled in grades 6-12.
 - d. Future PME Explore curriculum was board approved.
 - e. Pupil was provided a course syllabus.
 - f. The pupil did not replace an employee when engaging in the direct experience component of the course.
 - g. If the pupil was enrolled in virtual learning through this program and took the courses at a location other than a school facility, verify the following conditions were met:
 - i. The district paid the costs associated with providing the pupil with a computer which supported Internet capacity and appropriate software configuration for use by the pupil at home while enrolled in distance learning.
 - ii. The district offered to provide Internet access with capacity of at least 3Mbps download and 1 Mbps upload speeds.
5. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#). If the error rate exceeds 5%, expand the sample as appropriate using the required expansion percentages in the "Conducting the Field Audit" in Chapter 2 of this manual.
6. Issue any general or specific findings if necessary, including any FTE deductions.

CHAPTER 3 - AUDIT REPORTS AND REPAYMENTS

AUDIT REPORTS

1. The pupil membership audit narrative report must be built in MSDS. It is recommended that auditors build the narrative as they adjust the audited count (DS4120) so that the audit narrative and the DS4120 are in balance. They must balance before the narrative can be certified. See the MSDS District User Training Manual for more information. According to §18 of the State School Aid Act ([MCL 388.1618](#)), the narratives are due to the Department on November 1 after the close of the school year. For example, October 2025 and February 2026 narratives are due on November 1, 2026. The final audited count report (DS4120) is a public record and is available to any interested party.
2. Print the completed narrative and give it to the ISD Superintendent and District Superintendent. It is advisable to offer a period in which to provide feedback.

REPAYMENTS

ISD audit state aid adjustments will be made prior to any audit review decisions. Section 15(2) of the State School Aid Act, [MCL 388.1615\(2\)](#), states that:

If the result of an audit conducted by or for the department affects the current fiscal year membership, the department shall adjust affected payments in the current fiscal year. A deduction due to an adjustment made as a result of an audit conducted by or for the department, or as a result of information obtained by the department from the district, an intermediate district, the department of treasury, or the office of auditor general, must be deducted from the district's apportionments when the adjustment is finalized.

At the request of the district and upon the district presenting to the Department evidence satisfactory of the hardship, the Department may grant up to an additional 4 years for the adjustment and may advance payments to the district otherwise authorized under this article if the district would otherwise experience a significant hardship in satisfying its financial obligations. However, a district that has presented satisfactory evidence of hardship and was undergoing an extended adjustment during 2018-2019 may continue to use the period of extended adjustment as originally granted by the Department.

CHAPTER 4 - INFORMAL AGENCY REVIEW OF INTERMEDIATE SCHOOL DISTRICT (ISD) AND CERTIFIED PUBLIC ACCOUNTANT PUPIL MEMBERSHIP AUDITS

Section 18(4) of the State School Aid Act, [MCL 388.1618\(4\)](#), requires an intermediate school district (ISD) or certified public accountant (CPA) audit of each district's pupil accounting records at least annually and at such other times as determined by the Department. The ISD or CPA audit includes a review of district-provided documentation to substantiate membership data submitted to the Michigan Student Data System (MSDS).

Following the audit conducted by the pupil membership auditor or the CPA adjustments may be necessary to the district pupil membership count in accordance with statutes, administrative rules, the PAM, PMAM, and Department policies. If adjustments are made by the ISD auditor or CPA, a district may request an informal agency review of the adverse ISD or CPA audit adjustment as described below.

1. A district may file a written request for an informal agency review of an adverse ISD or CPA audit adjustment with the Department no later than 30 days after the date of the decision. The request for the informal agency review must include a detailed description of each pupil membership or part of a full-time equated (FTE) membership in dispute and the rationale for and legal references supporting the district's position. With the request for informal agency review, the district may submit only documents that were available to the ISD pupil membership auditor or the CPA who conducted the audit. The district sends the request for informal agency review by:

State Superintendent
Michigan Department of Education
608 W. Allegan Street
PO Box 30008, Lansing MI 48909
MDE-SuperintendentAppeals@Michigan.gov

2. The district provides a copy of the request for informal agency review to the ISD pupil membership auditor or the CPA who conducted the pupil membership audit.
3. The state superintendent or designee offers the district the option to present its request for informal agency review entirely in writing or at an informal review conference at the Department or by way of a conference call. Attendees at a review conference include the designee of the state superintendent; a representative or representative(s) of the district; and, in the discretion of the state superintendent or designee, representatives of the ISD or the CPA, Department staff, and other individuals.
4. In the exercise of discretion, the state superintendent or designee may accept or request additional documents from the district and from the pupil membership auditor or the CPA. The state superintendent or designee may direct further investigation by the ISD pupil membership auditor or the CPA and by the Department and consult with and rely on the expertise of Department staff.
5. The informal agency review includes, but is not limited to, consideration of available materials, the district's written request for informal agency review, and arguments made at the review conference, if any.

6. The state superintendent issues a final written decision, affirming, reversing, or modifying the audit adjustments of the pupil membership auditor or the CPA, and provides a copy of the decision to the district and to the ISD pupil membership auditor or the CPA who conducted the audit. Based on review of available materials, the state superintendent may, in the exercise of discretion, refer the matter to appropriate local, state, or federal authorities as applicable.
7. The final written decision of the state superintendent is the final agency decision for purposes of judicial review or appeal, and the district may not file further requests for Department review regarding the matter.
8. The Department makes the appropriate FTE adjustments, if any, in the MSDS in accordance with the final agency decision and notifies the ISD, the CPA, if applicable, and the district of the adjustments.

CHAPTER 5 - QUALITY CONTROL REVIEW OF PUPIL MEMBERSHIP AUDITS AND INFORMAL AGENCY REVIEW OF QUALITY CONTROL REVIEW DECISIONS

In the exercise of its supervisory authority over the distribution of state school aid, [MCL 388.1618\(4\)](#), the Department conducts quality control reviews (QCRs) of ISD and CPA pupil membership audits to determine compliance with statutes, administrative rules, the PAM, the PMAM, and Department policies. QCRs ensure that the Department complies with the April 2005 report of a performance audit by the Office of the Auditor General (OAG) of the Department's pupil membership accounting and auditing procedures. As recognized by the OAG at that time, the Department has "oversight responsibility to ensure that the distribution of State school aid funding is based on reliable and verified pupil membership counts submitted by local school districts." The OAG recommended that the Department resume the QCR process for pupil membership audits to help ensure that the Department consistently evaluates pupil membership accounting and auditing functions, and that the Department takes appropriate corrective action when it finds material noncompliance.

Another purpose of the QCR process is to provide training and technical assistance to pupil membership auditors. Following a QCR, the Department may adjust a pupil membership count or supplemental count as described in section A below, with informal agency review available upon request as described in section C.

MDE has transitioned to the use of electronic auditing. All ISDs selected for remote or electronically conducted QCRs will be required to provide their audit workpapers electronically to the Department using a File Transfer Service. A selection of QCRs will be conducted onsite at the intermediate school district (ISD) who conducted the audit. Instructions will be provided for the uploading of all electronic workpapers. If the audit is conducted by a CPA firm, the CPA firm must provide all audit documents to the resident ISD for upload to the File Transfer Service or provide the documents in hard copy to the Department.

A. Quality Control Review

1. The Department's Office of Financial Management plans QCRs on a **four-year schedule** for all ISDs and CPAs that conduct pupil membership audits of school districts. **The Department may revise the schedule at its discretion based on reasons that include**, but are not limited to, the following:
 - a. **An ISD pupil membership auditor or a CPA requests a QCR outside the planned schedule. The request may be due to conditions or situations outside the control of the ISD auditor.**
 - b. The Department identifies conditions that may affect pupil accounting accuracy and that demonstrate the need for additional oversight by the Department.
 - c. Complaints or concerns that arise within the Department or that come to the Department from external sources and demonstrate the need for additional oversight by the Department.
 - d. A QCR discloses significant deficiencies that the Department determines justify annual QCRs until correction of the deficiencies.

2. The tentative QCR schedule for the upcoming years is as follows:

Year 2026	Year 2027	Year 2028	Year 2029
Heritage Southwest ISD	Livingston ESA	Lenawee ISD	Gogebic- Ontonagon ISD
Newaygo RESA	Oakland Schools	Huron ISD	Lewis-Cass ISD
Monroe County ISD	Clare-Gladwin RESA	Copper Country ISD	Macomb ISD
Ionia County ISD	Calhoun ISD	Charlevoix-Emmet ISD	Allegan Area ESA
Iosco RESA	Mecosta-Osceola ISD	Clinton County RESA	Dickinson-Iron ISD
Kent ISD	Eaton RESA	Wexford-Missaukee ISD	Van Buren ISD
St. Joseph ISD	Lapeer ISD	Marquette-Alger RESA	Berrien RESA
Northwest Education Services	Shiawassee RESD	Genesee ISD	Tuscola ISD
Manistee ISD	Saginaw ISD	Cheboygan-Otsego-Presque Isle ESD	Alcona- Montmorency- Alpena ESD
Washtenaw ISD	Gratiot-Isabella RESA	Bay-Arenac ISD	Muskegon Area ISD
Midland ESA	Barry ISD	Sanilac ISD	Ingham ISD
West Shore ESD	Eastern UP ISD	Branch ISD	Hillsdale ISD
Wayne RESA	Montcalm Area ISD	Delta-Schoolcraft ISD	St. Clair County RESA
Menominee ISD	Jackson ISD	Ottawa Area ISD	Kalamazoo RESA
			C.O.O.R. ISD

3. The Department Audit Specialist determines which districts will be reviewed in a QCR based on a combination of risk factors and the field audits conducted by the ISD pupil membership auditor or the CPA who conducts pupil membership audits. The Department audit specialist chooses a minimum of one district for each QCR, taking into consideration the ISD error report when supplied to the Department, the proximity in time of a school district's last QCR, previous QCR outcomes, and previous ISD or CPA audit outcomes.
4. Based on consideration of available documentation and communication with the selected districts and the ISD pupil membership auditor or the CPA, the audit specialist who conducts the Department's QCR determines whether an audit adjustment is warranted under applicable statutes, administrative rules, the PAM, the PMAM, and Department policies. The QCR findings identify and explain membership adjustments.
5. The audit specialist who conducts the Department's QCR presents to the Department audit manager all materials considered in the QCR and the proposed findings.
6. In the exercise of discretion, the audit manager may consult with the ISD auditor and the audited district to request additional documents. The audit manager may direct additional investigation by the Department audit specialist, and the ISD or CPA auditors who conducted the audit. Additional consultation and reliance on the expertise of Department staff may be used.
7. Upon review of the findings, the audit specialist will schedule a meeting with the ISD auditor to review the results of the QCR.
8. If the audit was conducted by a CPA, the Department audit specialist will notify the CPA and the ISD pupil membership auditor of the results of the QCR. If FTE adjustments are necessary, the Department audit specialist will request the pupil membership auditor make the appropriate FTE adjustments in the Michigan School Data System (MSDS).

B. Review of 23a Dropout Recovery Program

1. The Department's Office of Financial Management reviews 23a participation of any district chosen as part of the QCR process. MDE will request ISD auditors to provide 23a samples which have been selected during desk or field audits performed.
 - a. 23a reviews should be performed at least annually by ISD auditors. These may be performed in conjunction with QCR's or at a later date as a separate review of the program. The ISD auditor will note on work papers when the test work was performed. Guidance on review of the 23a program can be found at SECTION 23a DROPOUT RECOVERY PROGRAM.

C. Informal Agency Review of QCR Decision

1. A district may file a written request for informal agency review of an FTE

adjustment that is based on an adverse Department QCR decision with the State Superintendent no later than 30 days after the date of the decision. The request for informal agency review must include a detailed description of each pupil membership or part of a full-time equated (FTE) membership in dispute and the rationale for and legal references supporting the district's position. With the request for informal agency review, the district may submit only the documents that were available to the ISD auditor or the CPA, to the audit specialist who conducted the QCR, or to the Department Audit Manager. The district sends the request for informal agency review to:

State Superintendent
Michigan Department of Education
608 W. Allegan Street
PO Box 30008, Lansing MI 48909
MDE-SuperintendentAppeals@Michigan.gov

2. The district must provide a copy of the request for informal agency review to the ISD auditor or the CPA who conducted the pupil membership audit.
3. The state superintendent or designee offers the district the option to present its request for informal agency review entirely in writing or at an informal review conference at the Department or by way of a video conference call. Attendees at a review conference include the designee of the state superintendent; a representative or representatives of the district; and, in the discretion of the state superintendent or designee, representatives of the ISD or the CPA firm, Department staff, and other individuals.
4. In the exercise of discretion, the state superintendent or designee may accept or request additional documents from the selected districts, the ISD auditor or the CPA, the audit specialist who conducted the QCR, and the audit manager. The state superintendent or designee may direct further investigation by the ISD auditor or the CPA and by the Department; and consult with and rely on the expertise of Department staff.
5. The informal agency review includes, but is not limited to, consideration of available materials, the district's written request for informal agency review, and arguments made at the review conference, if any.
6. The state superintendent issues a final written decision, affirming, reversing, or modifying the decision of the audit manager, and provides a copy of the decision to the district and to the ISD auditor or the CPA. Based on review of available materials, the state superintendent may, in the exercise of discretion, refer the matter to appropriate local, state, or federal authorities as applicable.
7. The final written decision of the state superintendent is the final agency decision for purposes of judicial review or appeal and the district may not file further requests for Department review regarding the matter.
8. The Department makes the appropriate FTE adjustments, if any, in MSDS in

accordance with the final agency decision and notifies the ISD, the CPA, if applicable, and the district of the adjustments.

CHAPTER 6 - EXIT STATUS, DROP-OUT RATE, AND GRADUATION RATE AUDIT

INTRODUCTION

ISD audit responsibilities include audits of pupil exit statuses and other pupil data used in calculating annual graduation and pupil dropout rates.

MSDS is the source for data used in calculating graduation and dropout rates. Data from the MSDS is populated into the Graduation and Dropout (GAD) Application for the purpose of auditing pupil exit statuses.

NOTE: The Graduation and Dropout Audit is not part of the Department QCR process.

AUDITS OF ACTIVE COHORTS

ISD auditors review all submitted data on an annual basis. An annual audit ensures that there are not conflicts between auditor findings and submitted data.

The GAD audit window opens at the beginning of October and closes approximately at the beginning of December. For exact dates, please see the CEPI calendar.

The annual audit can be done as a desk or a field audit. A small sample of exit codes is selected from each high school building scheduled for a field audit of FTE in that school year.

If the audit is performed by a CPA rather than the ISD auditor, the ISD will provide the CPA with the necessary pupil reports. CPAs should request this data in a timely manner.

Technical Summary	Example
a. The GAD Application is updated each October after the final disposition is reported on all pupils for the prior school year. Outlying buildings are identified and flagged as such.	2019-2020 school year final dispositions are reported in MSDS via the End-of-Year General Collection by the end of June or the SRM Collection by mid-September.
b. Pupil membership auditors are given access to the GAD Application in late October after final dispositions are reported.	2024-2025 school year final dispositions are available in the GAD Application late-October for pupils in the 2023, 2024, 2025 cohorts.
c. The GAD remains open for approximately six to eight weeks for auditors to record finding on the three active cohorts for the audited school year.	ISDs audit 2024-2025 exit status codes reported for pupils in the 2023, 2024, and 2025 cohorts from late October through mid-December.
d. Auditors may remove findings if districts provide them with the appropriate documentation during the six-week audit period.	Early October to Early December.
d. CEPI calculates final graduation and dropout rates based on pupils' dispositions after the audit is completed.	Mid-December through mid-January.

AUDIT STEPS FOR GRADUATES AND COMPLETERS

Pupils who graduated or completed are reported by the district with the following exit statuses.

Exit Status and Definition

- 01 Graduated from General Education with a diploma
- 02 Graduated from General Education with a diploma and applied to a degree-granting college/university
- 03 Graduated from an alternative program with a diploma
- 04 Graduated from General Education and applied to a non-degree-granting institution
- 05 Completed General Education with an equivalency certificate, General Educational Development (GED)
- 06 Completed General Education with other certificate (e.g., certificate of attendance, district competency test)
- 20 Received Special Education certificate of completion and exited the kindergarten through 12th grade (K-12) system
- 21 Special Education - reached maximum age and exited the K-12 system
- 40 Graduated from an Early/Middle College with both a high school diploma and an associate degree or other advanced certificate
- 41 Graduated from an Early/Middle College with only a high school diploma

1. Randomly select a representative 2% sample from each exit status code for testing from the buildings scheduled for field audits in that school year (both fall and spring counts). The sample should be selected from final disposition for the school year as reflected in the pupil lists in the GAD Application. Provide the sample list to the district and request supporting documentation.
2. Review supporting documents for compliance with the Table of Acceptable Exit Status Documentation. Note: Auditors may find it more efficient to obtain the district's lists of graduates/completers before starting the audit so that they can simultaneously select pupils for sample and determine compliance.
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.

Note: If the underlying errors are isolated, informed professional judgment allows the auditor to focus the sample expansion on the subpopulation(s) with isolated error(s).
4. Enter findings into the GAD Application. Change the exit code to "status unknown" if the district does not provide supporting documentation.

AUDIT STEPS FOR EXEMPT PUPILS

Pupils who are exempt from the graduation rate calculation are reported by the district with the following exit statuses.

Exit Status and Definition

- 09 Moved out of state
- 12 Deceased
- 14 Enrolled in home school or withdrew to attend out-of-state cyber school or virtual school
- 15 Enrolled in nonpublic school or withdrew to attend a nonpublic in-state cyber school or virtual school

1. Randomly select a representative 5% sample from each exit status code for testing from the buildings scheduled for field audits in that school year (both fall and spring counts). The sample should be selected from final disposition for the school year as reflected in the pupil lists in the GAD. Provide the sample list to the district and request supporting documentation for pupils exited with an exempt status during the year.
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.
Note: If the underlying errors are isolated, informed professional judgment allows the auditor to focus the sample expansion on the subpopulation(s) with isolated error(s).
4. Enter findings into the GAD Application. Change the exit code to "status unknown" if the district does not provide supporting documentation.

ACCEPTABLE EXIT STATUS DOCUMENTATION

Exit Status	Definition	Allowable Documentation
01, 02, 03, 04, 05, 06, 20, 21, 40, 41	Graduated or completed	<ul style="list-style-type: none"> • Official transcript or diploma. • Official alpha list of graduates/completers from the pupil management software that includes pupil's name, UIC, date of birth, and MSDS completion status, sorted by building, then by completion status, and then by pupil's last name. • Exit Status 40 requires a high school transcript and documented proof of a MEMCA certificate or another advanced certificate or 60 transferable credit hours.
09	Moved out of state	<ul style="list-style-type: none"> • Request for pupil records from a receiving public or private high school or an educational program that culminates in a regular high school diploma. • Written record of a response from an official in the receiving school or program acknowledging the pupil's enrollment. • For migrant pupils, documentation of pupil's out-of-state enrollment in the federal Migrant Student Information Exchange (MSIX). • Note: The United States Department of Education (USED) has ruled that a conversation with a parent or neighbor of a pupil is NOT considered official written documentation of a transfer. The one exception is that, if a parent informs a school administrator that the family is leaving the country, the school administrator may document this conversation in writing and include it in the pupil's file.
12	Deceased	<ul style="list-style-type: none"> • Confirmation from pupil management software that the pupil 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 pupil indicating pupil is being homeschooled. • Parental record request confirming pupil is homeschooled. • Statement by attendance officer (truancy officer) verifying that compulsory attendance requirements are met. • Note: The USED has ruled that a conversation with a parent or neighbor of a pupil is NOT considered official written documentation of a transfer.
15	Enrolled in nonpublic school	<ul style="list-style-type: none"> • Request for pupil records from a receiving public or private high school or an educational program that culminates in a regular high school diploma. • Written record of a response from an official in the receiving school or program acknowledging the pupil's enrollment.

Exit Status	Definition	Allowable Documentation
		<ul style="list-style-type: none"> Note: The USED has ruled that a conversation with a parent or neighbor of a pupil is NOT considered official written documentation of a transfer.
07, 08, 10, 11, 13, 16, 17, 18	Dropout	<ul style="list-style-type: none"> Documentation not available.

STATEMENT OF ETHICS AND INDEPENDENCE

Auditor's Name:

As an individual conducting a pupil membership audit, I certify that I will:	Initials
<ul style="list-style-type: none"> Act with integrity, competence, diligence, respect and in an ethical manner with the public, districts, employers, employees, colleagues, and other participants in the pupil membership audit. 	
<ul style="list-style-type: none"> Promote the integrity of pupil membership audits for the ultimate benefit of the accountability in state aid funding. 	
<ul style="list-style-type: none"> Place the integrity of the audit profession above my own personal interests. 	
<ul style="list-style-type: none"> Use reasonable care and exercise independent professional judgment when consulting with districts, making recommendations, and engaging in audit activities. 	
<ul style="list-style-type: none"> Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession. 	

I certify that with all local districts, I:	Initials	List exceptions
<ul style="list-style-type: none"> Am not currently employed 		
<ul style="list-style-type: none"> Was not previously employed or contracted (within two years) 		
<ul style="list-style-type: none"> Have no personal or financial interest 		
<ul style="list-style-type: none"> Have no relatives currently employed 		
With respect to the programs operated by the ISD, I certify that:	Initials	List exceptions
<ul style="list-style-type: none"> I am organizationally independent 		
<ul style="list-style-type: none"> I am objective 		

Explain exceptions and their resolutions:

I ATTEST THAT THE ABOVE INFORMATION IS FACTUAL:

Auditor's Signature: _____ Date: _____

IN THE CASE OF EXCEPTIONS, I AGREE WITH THE ABOVE RESOLUTIONS:

Audit Supervisor's Signature: _____ Date: _____

LOCAL DISTRICT PLANNING FORM

District: _____ Count Date: _____

District program staff must prepare and sign a local district planning form for each membership count and provide it to the auditor for use in planning the field audit.

1. Identify the key program personnel involved in the pupil membership count and indicate the individual whom the auditor should contact to arrange for the fieldwork.

NAME	TITLE	LOCATION	PHONE	EMAIL ADDRESS	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. Please indicate if there have been any significant changes in the following 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: _____

BUILDING RISK ASSESSMENT FORM - FOR PUPIL MEMBERSHIP AUDITOR USE

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

Instructions: This form may be used to document the assessment of risk of the buildings/programs that will be field audited. Generally, the higher potential for errors, the higher the risks that the pupil membership counts are 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.

Assessment of Risk	H	M	L	Comments
1. The results of the prior field and desk audits. (Error rates over 5% are high risk)				
2. The existence 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 nonconventional pupils attending the building. (Larger population of nonconventional pupils reflects a higher risk)				
6. The number of State Aid Act §25e adjustments. (Larger number of denied adjustments by the receiving district indicates higher risk)				
7. The institution of a new program for which FTE is claimed. (higher risk)				

Building Risk Assessment: Based on the foregoing considerations, the overall risk for this building is assessed as:	High	Moderate	Low
Pop I - Conventional pupils present on count day			
Pop II - Conventional pupils absent on all or part of count day			
Pop III - Nonconventional pupils			

Building Risk Assessment - Sample Size 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 – Nonconventional Pupils	20%	15%	10%

DESK AUDIT CHECKLIST

District: _____

Count Date: _____

Date Performed: _____

Instructions: The audit checklist is to be completed by the pupil membership auditor. If a procedural step does not apply, enter "NA". Refer to the pages referenced in the Audit Manual Pages column for specific requirements for each procedure. Use the "Workpaper Reference" column to indicate the audit workpapers where additional information is included. Retain the audit program and workpapers along with relevant documentation.

Procedure	Yes/ No/ NA	Audit Manual Pages	Working Paper Reference	Comments
1. Review the Pupil Accounting Manual and audit materials, including previous audit information, calendars, and audit packets.		Pg. 9 - 12		
2. Review completed Local District Planning Form, board-approved calendars, days/hours of instruction forms and 75% attendance report to ensure district meets requirements.		Pg. 25		
3. Review student alpha list for all required data.		Pg. 26		
4. Review Special Education A/B worksheets for required information. Verify the FTEs match the DS4061.		Pg. 27		
5. Verify General Education FTEs on alpha list match the DS4061.		Pg. 27		

Procedure	Yes/ No/ NA	Audit Manual Pages	Working Paper Reference	Comments
6. Verify nonresident FTEs on the DS4061 match the district reports.		Pg. 27		
7. Verify additional info on Page 3 of DS4061 for PSAs, if applicable. SE/GE FTEs, MCL 388.1624 , and new grade levels added by PSA in Fall, not previously offered.		Pg. 27		
8. Verify all FTE Conflicts are resolved. Report to MDE all conflicts that were not resolved.		Pg. 26		
9. Review FTE Comparison from MSDS and Add/Drop lists. Note reasons for variations.		Pg. 27		
10. Verify Early/Middle College FTEs that are more than 1.0.		Pg. 26		
11. Review the board-approved district's excused/unexcused attendance policy.		Pg. 10		
12. Review district/building course catalogs.		Pg. 25		
13. Verify Teacher Certification.		Pg.16-19,25,27-28		
14. Record FTE adjustments on FTE Adjustment Form and in MSDS. Make all adjustments, except teacher certification adjustments, at the student level, rather than aggregate level.		Pg. 29		

Procedure	Yes/ No/ NA	Audit Manual Pages	Working Paper Reference	Comments
15. Verify district reported pupils in MSDS via SRM that were added by desk audit and district provided proof of addition to auditor.		Pg. 29		
16. Communicate desk audit findings to the district.		Pg. 28		

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 _____

Time spent to complete desk audit: _____

FIELD AUDIT CHECKLIST

District: _____

Building: _____

Count Day: _____

Instructions: The audit checklist is to be completed by the pupil membership auditor. If a procedural step does not apply, enter "NA". Use the "Workpaper Reference" column to indicate the audit workpapers where additional information is included. Refer to the pages referenced in the Audit Manual Pages column for specific requirements for each procedure. Retain the audit program and workpapers along with relevant documentation.

AUDIT PROCEDURES	Yes/ No/ NA	Audit Manual Pages	Working Paper Reference	Comments
1. Complete the Building Risk Assessment.		Pg. 31		
2. Determine sample size of Pop I, II, and III categories. Select sample based on head count for each category, round up to next whole number.		Pg. 32-33,37		
3. Complete the Pupil Specific Audit Procedures.				
a. Pop I, II, III - verify pupil enrollment, schedule, and attendance.		Pg. 38-38		
b. Pop II - pupil absent any portion of count day, verify return within 10/30 day rule or within 45 calendar days if expelled/suspended on count day.		Pg. 38		

AUDIT PROCEDURES	Yes/ No/ NA	Audit Manual Pages	Working Paper Reference	Comments
C. Pop III - verify each category met requirements of specific category. District determines the applicable category for nonconventional pupils.		Pg. 39		
4. Population III Categories				
a. 5-A Alternative Education Program.		Pg. 40-41		
b. 5-B Cooperative Education Program.		Pg. 42		
c. 5-C Home-Based Pupils		Pg. 43-44		
d. 5-D Homebound/Hospitalized Pupils.		Pg. 45-46		
e. 5-E Nonpublic/Homeschool Shared Time pupils.		Pg47-48		
f. 5-F Part-Time Pupils.		Pg. 49		
g. 5-G-A Postsecondary and CTE Enrolled Pupils.		Pg50-51		
h. 5-G-B Early Middle College Pupils.		Pg. 52		
i. 5-G-C Postsecondary Gifted and Talented Programs.		Pg. 53		
j. 5-H Reduced Schedule Pupils.		Pg. 54		
k. 5-1 Section 105 and 105c Schools of Choice.		Pg. 55-56		
l. 5-K Special Education Early Childhood Programs & Services.		Pg. 57-58		

AUDIT PROCEDURES	Yes/ No/ NA	Audit Manual Pages	Working Paper Reference	Comments
m. 5-L Special Education Pupil Transition Services.		Pg. 59		
n. 5-M Split Schedule Pupils.		Pg. 60		
o. 5-N Suspended and Expelled Pupils.		Pg. 61		
p. 5-O-A Distance Learning & Independent Studies.		Pg. 62		
q. 5-O-B Offline Seat Time Waiver Program.		Pg. 63		
r. 5-O-C Cyber Schools.		Pg. 64-65		
s. 5-O-D Virtual Learning Options.		Pg. 66-67		
t. 5-P Work Based Learning Experiences, Apprenticeships and Internships.		Pg. 68-69		
u. 5-Q-A Section 23a Dropout Recovery Program.		Pg. 70-71		
w. 5-Q-C Visa Program.		Pg. 72		
x. 6-A Experiential Learning Pupils.		Pg. 73-74		
y. 6-B Peer to Peer Elective Course Credit Program.		Pg. 75		
z. 6-C Future Proud Michigan Educator Explore Programs.		Pg. 76		

AUDIT PROCEDURES	Yes/ No/ NA	Audit Manual Pages	Working Paper Reference	Comments
5. Using the Sample Summary & Analysis, determine each population error rate and document building error rate. If error rate exceeds 10%, notify MOE.		Pg. 31- 33		
6. Conduct teacher and pupil accounting staff interviews.		Pg. 33		
7. Communicate field audit findings to the district.		Pg. 33		
8. Verify district reported pupils added by field audit in MSDS via SRM and provided proof to auditor.		Pg. 33		
9. Record FTE adjustments on FTE Adjustment Form and in MSDS. Make all adjustments (except teacher certification adjustments) at the student level, rather than aggregate level.		Pg. 33- 34		

I (We) have performed procedures sufficient to achieve the audit objectives identified in the Field Audit Program and have adequately documented the audit procedures performed.

Name: _____ Date _____

Name: _____ Date _____

Time spent to complete field audit: _____

SAMPLE SUMMARY AND ANALYSIS

INITIAL SAMPLE	Total Pop.	Risk %	Sample Size	# of Errors	% of Errors	1st Expansion	Risk 25%	1st Exp	# of Errors	Total Errors	% of Errors
Example	400	10%	40	3	7.5%	Example	25%	60	2	5	5%
Pop. I						Pop. I					
Pop. II						Pop. II					
Pop. III						Pop. III					
Total						Total					

2nd Expansion	Risk 40%	2nd Exp	# of Errors	Total Errors	% of Errors	3rd Expansion	Risk 55%	3rd Exp	% of Errors	Total Errors	% of Errors
Example	40%	60	0	5	3.1%	Example	N/A	N/A			
Pop. I						Pop. I					
Pop. II						Pop. II					
Pop. III						Pop. III					
Total						Total					

4th Expansion	Risk 75%	4th Exp	# of Errors	Total Errors	% of Errors	100% Sample	Risk 100%	Total Errors	% of Errors
Example	N/A	N/A				Example	N/A		
Pop. I						Pop. I			
Pop. II						Pop. II			
Pop. III						Pop. III			
Total						Total			

- Errors in each population are accumulated on a head count 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 two 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 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 or more, the auditor may stop if there is one error or no errors. If there are two or more errors, the auditor is required to expand the sample to 90 and then to 180 and 360 records as follows. 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.

4. If errors are isolated, informed professional judgment allows the auditor to focus sample expansion on the subpopulations with the isolated errors. The auditor is encouraged to request that the district identify and correct the isolated errors before expanding the sample.

Explanation of example:

- $10\% \times 400 \text{ population} = 40 \text{ pupils}$
- $3 \text{ errors divided by } 40 \text{ sample} = 7.5\% \text{ error rate}$
- $25\% \times 400 = 100$; $100 \text{ minus } 40 = 60 \text{ pupils}$
- $2 \text{ errors in expansion and } 3 \text{ errors} = 5 \text{ cumulative errors}$
- $5 \text{ divided by } 100 \text{ total sample} = 5\% \text{ error rate}$
- Because the error rate is 5%, a second expansion is needed.
- $40\% \times 400 = 160$; $160 \text{ minus } 100 = 60 \text{ pupils}$
- $0 \text{ errors in expansion} + 5 \text{ errors} = 5 \text{ cumulative errors}$
- $5 \text{ divided by } 160 \text{ total sample} = 3.1\% \text{ error rate}$
- Because the error rate is less than 5%, a third expansion is not needed.

Each sample was selected in the following manner:

Population I:

Population II:

Population III:

	POP. III CATEGORIES IN BUILDING/PROGRAM	COUNT	SAMPLE SIZE	# ERRORS	% ERRORS
5-A	Alternative Education Programs				
5-B	Cooperative Education Programs				
5-C	Home-Based Pupils				
5-D	Homebound and Hospitalized Pupils				
5-E	Nonpublic and Homeschooled Pupils				
5-F	Part-Time Pupils				
5-G-A	Postsecondary and Career and Technical Education Dual Enrollment				
5-G-B	Early Middle College Pupils				
5-G-C	Postsecondary Gifted and Talented Programs				
5-H	Reduced Schedule Pupils				
5-1	Sections 105 and 105c Schools of Choice				
5-K	Special Education Early Childhood Programs and Services				
5-L	Special Education Pupil Transition Services				
5-M	Split-Schedule Pupils				
5-N	Pupils with Suspensions and Expulsions				
5-O-A	Distance Learning and Independent Studies				
5-O-B	Offline Seat Time Waiver Programs				
5-O-C	Cyber Schools				
5-O-D	Virtual Programs				

	POP. III CATEGORIES IN BUILDING/PROGRAM	COUNT	SAMPLE SIZE	# ERRORS	% ERRORS
5-P	Work-Based Learning Experiences, Apprenticeships, and Internships				
5-Q-A	Section 23a Dropout Recovery Programs				
5-Q-C	Visa Programs				
6-A	Experiential Learning Courses				
6-B	Peer-to-Peer Elective Course Credit Program				
6-C	Future Proud Michigan Educator Explore Programs				

FTE ADJUSTMENT FORM

General Education Beginning FTE Count: ___

Building/ Grade/ Program	Pupil's Name	Class	Description	Legal Reference	General Ed Claimed FTE	General Ed Adjustment FTE	General Ed Total FTE for Pupil

General Education Adjusted FTE Count: ___

Special Education Beginning FTE Count: _____

Building/ Grade/ Program	Pupil's Name	Class	Description	Legal Reference	Special Ed Claimed FTE	Special Ed Adjustment FTE	Special Ed Total FTE for Pupil

Special Education Adjusted FTE Count: _____

The district should be given a reasonable opportunity to resolve the potential variances before the exit conference. Auditors should consider attaching supporting documentation.

AUDIT COMPLIANCE

YEAR: _____

AUDITOR: _____

Auditor	Yes	No	NA	Date Completed and Comments
1. Completed the Section 25e Review.				
2. Completed Electronic Days and Clock Hours Audit.				
3. Completed the Section 23a Review, if applicable. Reported Changes to MOE.				
4. Completed Statement of Ethics and Independence Form.				
5. Prepared Audit Cycle Schedule and Sent to MDE.				

Field Audit Procedure: Teacher and Staff Interview

District: _____ Count Date: _____

Building/Program: _____ Date of Interview: _____

Staff Interviewed: _____ Position/Grade Level: _____

Individual present during interview: _____

As part of audit, staff was interviewed to inquire whether they are aware of any inappropriate alterations of attendance records or any other teacher attendance records. The following questions were asked:

1. Tell me about the attendance policies in your district. How many minutes can a student be late before the student is absent vs. tardy? What is an excused absence vs. unexcused?
2. Who enters attendance in the Student Information System?
3. How long can someone make changes to the attendance records once they are entered?
4. Who can make changes to your attendance records and under what circumstances may this person or persons make these changes?
5. What are the attendance procedures when you have a substitute teacher?
6. Do students ever carry attendance records to the office?
7. If someone in the district were to inappropriately inflate pupil counts, how could this be done?
8. Do you have awareness that any of your attendance records or any other teacher's attendance records have been inappropriately changed? If yes, what are the details?
9. Do you have awareness of the district claiming any inappropriate pupil counts or running inappropriate programs?
10. Is there any other person I should talk with about this?
11. Is there any other information you would like to bring to my attention?

Problems or issues identified: Yes _____ No _____

Note: If problems or issues identified, they should be investigated and reported to MDE Office of Financial Management. Documentation is attached.

Auditor(s) Conducting Interview/Investigation: _____

Field Audit Procedure: Teacher & Staff Interviews -
Virtual Programs

District: _____
 Count Date: _____
 Building/Program: _____

As part of audit, teachers and administrative staff were interviewed to inquire if they are aware of any inappropriate alterations of records used to substantiate membership. The following questions were asked:

1. What is your role in record keeping for this virtual program (records such as schedules, courseware reports, two-way interaction logs between the pupil and their mentor)?
2. Do you have awareness of the district claiming any pupils in count who were ineligible?
3. Do you have awareness of any records from your program (schedules, courseware reports, two-way interaction logs) being inappropriately changed after submission? If yes, please describe.
4. How do you monitor student progress in their virtual learning courses?
5. Does your program have any pupils on a "sequential learning plan" (explain, if needed)? If yes, do pupils have an EDP where the sequential learning plan is outlined?
6. Is there any other information you would like to bring to my attention that might help inform our audit?

Person Interviewed	Position in Building	Date of Interview	Method Used (Face-to-Face, Skype, FaceTime)

Problems or issues identified: _____ YES _____ NO Note: If problems or issues identified, it was investigated and reported to MOE Office of audits. Documentation is attached.

Auditor(s) Conducting Interview/Investigation: _____

AUDIT FINDINGS - GENERAL

A general audit finding is a general comment or an opportunity for the auditor to assist the local school district in identifying ways to improve its documentation or counting procedures to maximize or accurately report FTE. Any blank findings are intentionally not to be used.

NBR	ABBREV	DESCRIPTION
G1	Good Job	Overall, the district did a good job on reporting for pupil accounting.
G2	Alpha List - Population II and III Pupils	Populations II and III pupils must be identified on the alpha list with the appropriate alpha code or on a separate list.
G3	Reports - Summary Validation Reports	District must submit all computer-generated summary reports needed to validate FTEs as reported on the D54061.
G4	Alpha Roster - Last Name First by Grade	The alpha list must list all eligible pupils in alphabetical order, last name first, by grade level.
GS	Alpha List - FTE by Pupil and Grade Total	The alpha list must indicate an FTE for each pupil, as well as the FTE total for each grade level. The grade level total on the alpha list should match the grade level total shown on the DS-4061.
G6	Attendance Records - Markings	A mark/symbol must be used to indicate on the attendance record the first day a pupil appears in class for instruction.
G7	Attendance Records - Teacher Marks	All teachers must use the attendance marks stipulated in the district's/PSA's policy.
GS	Attendance Records - Available	Teacher attendance records must be available at the time of the field audit and should be organized weekly beginning with the week prior to count and include count week and the four weeks following count.
G9	Attendance Records - Inaccurate	The pupil's attendance was inaccurately reported, e.g., pupil dropped but marked as present in attendance records, pupil absent on count day and incorrect return date reported, pupil marked as present by teacher but absent by office. This raises questions about the accuracy of attendance records.
G10	Attendance Records - Add/Drop Marks	The date a pupil drops/adds a class should be clearly indicated on the attendance record, e.g., "transferred to Eng. 101, date" on the attendance record for the dropped class and "transferred from Eng. 100, date" on the attendance record for the added class.
G11	Attendance - Teacher, Class, Hour, Dates	Each attendance record must clearly identify teacher, class, hour, and dates of instruction.
G12	Attendance - Markings in Teacher Records	Attendance markings should be easily readable and entered on a separate line or separate page so that they will be distinguishable from grades, scores, and other markings.

NBR	ABBREV	DESCRIPTION
G13	Attendance - Do Not Obliterate Names	Pupil names must not be obliterated from the official attendance record. If a pupil transfers or drops a class, draw a single line through the name and make a notation at the end of the line, e.g., "transferred to Eng. 101" or "dropped 9/27."
G14	Attendance - Teacher Signature	Computer-generated attendance records must be verified, signed, and dated weekly by the classroom teacher.
G15	Attendance - Absent on the Count Day	Only those pupils absent on any portion of the count day should be included on the ten-day worksheet.
G16	Attendance - Official Record	Teachers must maintain only one official attendance record. Maintaining more than one creates a situation where records may not match, leading to questions about their validity.
G17	Attendance - 10/30 day period Middle School/High School	For middle and high schools: A ten-day worksheet must be compiled for every building for every hour claimed for state aid and list each pupil who is absent on the count day from that specific building.
G18	Attendance - 10/30 day period Elementary	For elementary schools: A ten-day worksheet must be prepared for every building, indicating the appropriate grade level and listing each pupil who is absent on the count day.
G19	Attendance - Excused Absence Documentation	Excused absences on the count day must be documented in writing, indicating date of absence, reason for absence, name of school official who compiled the documentation, and the date documented.
G20		
G21		
G22	Attendance - Take Every Class	Attendance must be taken in every class/program/block claimed for state aid.
G23		
G24	Enrollment - Records Retention and 75% Log	A daily record of total enrollment, # of pupils present/absent, and % of pupils present/absent must be on file for three years. The record is required to validate that, for a day of instruction to be counted, 75% of the pupils were present.
G25		
G26	Alpha List - Only Pupils Eligible	The alpha list should include only those pupils who meet attendance and other state aid eligibility requirements and who are claimed for state aid.

NBR	ABBREV	DESCRIPTION
G27	Pupil Schedules	Accurate count day pupil class schedules must be furnished to the auditor.
G28	Residence - Codes	All nonresidents must be identified on the alpha list with the appropriate nontraditional (Population III) codes AND district of residence codes or reported on a separate list.
G29	District of Residence	The pupil's resident district was incorrectly identified in MSDS .
G30	Alpha List - Absence Marks	The alpha list must identify each pupil who is absent in any class on the count day.
G31	Alpha List - Review for Accuracy	Alpha Rosters should be reviewed for completeness and accuracy prior to submission in the reporting packet to the ISD/RESA auditor(s).
G32	Alpha List - Must Have three FTE Columns	The alpha list must include three FTE columns: General Education FTE, Special Education FTE, and Total FTE. The Total FTE must be less than or equal to 1.00 FTE.
G33	Alpha List - Signature	The last page of the alpha list must be signed and dated by a school official.
G34	Alpha and Attendance Lists in Same Order	Pupils must be listed in the attendance records in the same manner (i.e., last name, first name) they are listed on the building alpha list. Do not use nicknames or only first names.
G35	Special Ed - Supporting Documentation	District must submit Special Education computer-generated summary sheets to support the FTEs (both General and Special Education) for Special Education pupils as reported on the DS-4061.
G36	Special Ed – MSDS/Worksheets	The Special Education Worksheets A/B must match what was reported in MSDS.
G37	Alpha List and MSDS	The FTEs reported on the alpha list must match the FTEs reported in MSDS.
G38		
G39	Calendars - Signed	Calendars must be signed.
G40	Calendars - Inaccurate	Calendars must accurately reflect the actual days and hours of pupil instruction.
G41	Residency Code	The Pupil's Residency Code must be accurately reported in MSDS .
G42	Other	
G43	Attendance – No Classes Held	Teachers must mark cancelled and scheduled "no-school" days/classes in the attendance records.
G44		

AUDIT FINDINGS - SPECIFIC

A specific audit finding is a violation of the State School Aid Act, Revised School Code, Pupil Accounting Administrative Rules, or Pupil Accounting Manual that results in the loss of FTE. There is now the ability for the pupil membership auditor to include all reasons for the disallowance of an FTE in the audit narrative using S99 on the first line including the total amount of FTE adjustment and the actual finding numbers on subsequent lines.

NBR	ABBREV	DESCRIPTION	LEGAL REFERENCES
S1	Absence - 30 Day	Pupil had an excused absence on the count day, did not return to school within 30 calendar days after the count day, and was listed on the building alpha list and claimed for state aid.	§6(8) of the State School Aid Act; Administrative Rules 340.3(c) and 340.7(6)
S2	Absence - 10 Day	Pupil had an unexcused absence on the count day, did not return to school within 10 school days, and was listed on the alpha list and claimed for state aid.	§6(8) of the State School Aid Act; Administrative Rules 340.3(c) and 340.7(6)
S3	Absent - Before Count Day, No Return	Pupil left the district before count date and did not return.	Administrative Rule 340.3(a); §6(8) of the State School Aid Act
S4	Attendance - FTE Adjusted for Classes Attended	The FTE for pupil was adjusted to reflect the number of classes attended or hours of instruction during the count period.	§6(8) of the State Aid Act; Administrative Rule 340.7
SS	Enrollment - After the Count Day	Pupil who enrolled after the count day was listed on the alpha list and claimed for state aid.	§6(8) of the State School Aid Act; Administrative Rule 340.2
S6	Enrollment - Attendance Before the Count Day	District was unable to document the reason why pupil did not attend any classes on or before the count day.	§6(8) of the State School Aid Act; Administrative Rule 340.2
S7	Alpha Roster - Duplicate Pupil	Pupil was listed twice on the alpha list, resulting in a claim of more than 1.0 FTE.	§6(4)(a) of the State School Aid Act; Administrative Rules 340.2 and 340.7

NBR	ABBREV	DESCRIPTION	LEGAL REFERENCES
S8	Duplicate Pupil Count	Pupil counted in more than one district for an FTE total greater than 1.0.	§6(4)(a) of the State School Aid Act; Administrative Rules 340.2 and 340.7
S9	Alpha Roster - Pupils Not on List but Eligible	The auditor verified the eligibility of pupil, who was not included on the original alpha list and not claimed for state aid. FTEs were added.	§6(8) of the State School Aid Act
S10	Hour Requirement Not Met	The building calendar did not provide the minimum hours of instruction with a certified teacher.	Section 2 of the Pupil Accounting Manual
S11	Pupil Schedule	Pupil was claimed for a full membership, but pupil is not scheduled for a full day and there is no detail regarding dual enrollment, reduced schedule, etc.	§6(8) of the State School Aid Act; Administrative Rule 340.7; Section 5-F of the Pupil Accounting Manual
S12	Minimum Age	Pupil was listed on the alpha list and claimed for state aid but was not age five as of December 1 and parental notice was not timely received for pupil age five by December 1.	§1147 of the Revised School Code; §6(4)(l) of the State School Aid Act
S13	Age - Under 20 by September 1	Pupil who was not under the age of 20 (age 26 if Special Education or age 22 for a pupil under §6(4)(l)(ii)) as of September 1 of the current school year was listed on the alpha list and claimed for state aid.	§6(4)(l) of the State School Aid Act; Administrative Rule 340.1702
S14	General Education/Special Education Split	The FTE split between General Education and Special Education was inaccurate.	§S1a of the State School Aid Act; Administrative Rules 340.1701b and 340.1702
S15	General Education/Special Education Split	Cooperative Education pupil was counted in both General Education in one district and Special Education in another, resulting in FTE greater than 1.0.	§6(4) of the State School Aid Act
S16	General Education/Special Education Split	Special Education pupils over age 20 attended General Education classes and not counted on MSDS.	§6(4)(l) of the State School Aid Act

NBR	ABBREV	DESCRIPTION	LEGAL REFERENCES
S17	Special Education - §53a to §52	Pupil reported as §53a was not approved by the Department so changed to §52.	§52 and §53a of the State School Aid Act
S18	Special Education - §52 to §53a	Pupil reported as §52 was approved by the Department so changed to §53a.	§52 and §53a of the State School Aid Act
S19	Special Education - Ancillary Services Only	Pupil was receiving ancillary services only and not eligible to be counted in membership.	
S20	Special Education - Wrong Category	Pupil was reported in the wrong Special Education category.	
S21	Juvenile Home	Pupil was in attendance at and claimed by a juvenile facility.	§6(4)(d) and §24 of the State School Aid Act
S22	Residency Requirements	Pupils did not meet the residency requirements.	§6(4)(b) of the State School Aid Act; Administrative Rules 340.2 and 340.3; Section 4 of the Pupil Accounting Manual
S23	Nonresident Pupil - Waiver/Release	The educating district did not receive a waiver/release from the nonresident pupil's district of residence that allowed the pupil to be counted in membership.	§6(4)(b) and §6(6) of the State School Aid Act; Section 4 of the Pupil Accounting Manual
S24	Pupil - High School Diploma or Equivalency Certificate	A pupil previously received a high school diploma or high school equivalency certificate and did not have a disability as defined in R 340.1702 of the Michigan Administrative Code.	§6(4)(m) of the State School Aid Act; R 340.1702 of the Michigan Administrative Code
S25	Learning Lab	FTE claimed for the learning lab classes exceeded the FTE for the same class in a traditional setting.	Administrative Rule 340.13; Section 5-A of the Pupil Accounting Manual
S26	Alternative Education - Other		
S27	Cooperative Agreement Programs		

NBR	ABBREV	DESCRIPTION	LEGAL REFERENCES
S28	Home-Based - Record of Service	Record of service was not maintained for pupil who was identified on the alpha list as receiving instruction under the home-based provision.	§1311 and §1311a of the Revised School Code; §6(4)(u) of the State School Aid Act; Administrative Rule 340.2(13); Section 5-C of the Pupil Accounting Manual
S29	Home-Based - Hours of Instruction by Certified Teacher	Pupil identified on the alpha list as receiving home-based instruction did not receive the required hours of instruction per week by a certified teacher during the count period.	§1311 and §1311a of the Revised School Code; §6(4)(u) of the State School Aid Act; Administrative Rule 340.2; Section 5-C of the Pupil Accounting Manual
S30	Home-Based - Prorated FTE	Pupil was not subject to a mandatory expulsion, so FTE for home-based services must be prorated.	§1311 and §1311a of the Revised School Code; §6(4)(u) of the State School Aid Act; Administrative Rule 340.2; Sections 5-C and 5-N of the Pupil Accounting Manual
S31	Home-Based - Other		
S32	Homebound/Hospitalized - Service	Record of service was not maintained for pupil who was identified on the alpha list as receiving instruction under the homebound/hospitalized provision.	§109 of the State School Aid Act; Administrative Rule 340.2 (11-12)Section 5-D of the Pupil Accounting Manual
S33	Homebound/Hospitalized - Hours of Instruction	Pupil identified on the alpha list as receiving homebound/hospitalized instruction did not receive the required hours of instruction per week by a certified teacher during the count period.	§109 of the State School Aid Act; Administrative Rule 340.2; Section 5-D of the Pupil Accounting Manual
S34	Homebound/Hospitalized - Physician's Certification	Physicians statement verifying pupil required homebound services was not kept on file.	§109 of the State School Aid Act; Section 5-D of the Pupil Accounting Manual

NBR	ABBREV	DESCRIPTION	LEGAL REFERENCES
S35	Homebound/ Hospitalized - Other		
S36	Shared Time Pupils - Essential Classes	Shared time pupils received instruction in essential classes.	§6(6) and §166b of the State School Aid Act; Administrative Rule 340.2(20); Section 5-E of the Pupil Accounting Manual
S37	Shared Time Pupils - Optional Experiences	Shared time pupils participated in optional experiences on a schedule that was not available to the majority of full-time pupils in the same grade level or age group. Private lessons are not allowable.	§6(6) and §166b of the State School Aid Act; Section 5-E of the Pupil Accounting Manual
S38	Part-Time Pupils - FTE	Pupil was claimed for FTE greater than hours of instruction scheduled/provided.	§6(8) of the State School Aid Act; Administrative Rules 304.2 and 340.7; Section 5-F of the Pupil Accounting Manual
S39	Part-Time Pupils - Other		
S40	Postsecondary Enrollment - Payment of Charges	District did not pay the eligible charges for the postsecondary courses.	§21b of the State School Aid Act; Section 5-G of the Pupil Accounting Manual; MCL 388.511-388.524 Postsecondary Enrollment Options Act and 388.1901 - 388.1913 Career and Technical Preparation Act
S41	Postsecondary Enrollment - Other		§21b of the State School Aid Act; Section 5-G of the Pupil Accounting Manual; MCL 388.511-388.524 Postsecondary Enrollment Options Act and 388.1901 -

NBR	ABBREV	DESCRIPTION	LEGAL REFERENCES
			388.1913 Career and Technical Preparation Act
S42	Reduced Schedule - Educational Interest	Pupil did not meet the best educational interest criterion for a reduced schedule. The membership was adjusted to reflect the appropriate FTE for the number of scheduled hours.	§101(7)(c) of the State School Aid Act; Section 5-H of the Pupil Accounting Manual
S43	Reduced Schedule - Documentation	The school did not fill out the appropriate reduced schedule forms. The membership was adjusted to reflect the appropriate FTE for the number of scheduled hours.	§101(7)(c) of the State School Aid Act; Section 5-H of the Pupil Accounting Manual
S44	Reduced Schedule - Other		
S45	Schools of Choice - Special Education - Cooperative Agreement	District does not have a signed cooperative agreement with resident district covering Special Education pupils and the district did not provide the identified services.	§105c of the State School Aid Act; Administrative Rule 340.4; Section 5-I of the Pupil Accounting Manual
S46	Schools of Choice - Other		§105 and 105c of the State School Aid Act; Administrative Rule 340.4
S47	Special Education Early Childhood - Service	The reported FTE for preprimary-aged Special Education pupil did not reflect the service provided during the count period.	§6(4) of the State School Aid Act; Administrative Rules 340.1754 and 340.1755; Section 5-K of the Pupil Accounting Manual
S48	Special Education Early Childhood - Other		
S49	Special Education Pupil Transition		
S50	Mandatory Expulsion	Mandatory expulsion pupils were being educated with the general population.	§1311 and §1311a of the Revised School Code; Section

NBR	ABBREV	DESCRIPTION	LEGAL REFERENCES
			5-N of the Pupil Accounting Manual
S51	Suspended and Expelled - Other		
S52	Distance Learning - Adult in Classroom	An adult was not present in the classroom with the distance learning pupil.	Administrative Rule 340.11; Sections 5-O-A of the Pupil Accounting Manual
S53	Virtual Courses - Mentor	Pupil was not provided a professional employee of the district who would act as the mentor for the virtual course(s).	§21f of the State School Aid Act; Sections 5-O-D of the Pupil Accounting Manual
S54	Virtual Courses - Costs	District did not pay applicable costs for virtual or distance learning classes.	§21f of the State School Aid Act; Sections 5-O-D of the Pupil Accounting Manual
SSS	Virtual Courses - Attendance	Pupil was not in attendance during the count period.	§6 of the State School Aid Act; Sections 5-O-D of the Pupil Accounting Manual
S56	Virtual Courses or Distance Learning - Other		§21f and §98 of the State School Aid Act; Administrative Rules 340.2 and 340.11; Sections 5-O-A and 5-O-D of the Pupil Accounting Manual
S57	Work-Based - Attendance	Attendance record was not maintained.	§1279h of the Revised School Code; §6(4)(q) of the State School Aid Act; Administrative Rules 340.2, 340.15, and 340.16, and 340.1733(i); Section 5-P of the Pupil Accounting Manual
S58	Work-Based - Training Plan	Training plan and training agreement were not completed.	§1279h of the Revised School Code; §6(4)(q) of the State School Aid Act; Administrative

NBR	ABBREV	DESCRIPTION	LEGAL REFERENCES
			Rules 340.15, 340.16, and 340.1733(i); Section 5-P of the Pupil Accounting Manual
S59	Work-Based - Site Visits	A professional employee failed to visit, and document in a log, the worksite of a pupil as required to check pupil's attendance and progress and to assess placement in terms of health, safety, and welfare.	§1279h of the Revised School Code; §6(4)(q) of the State School Aid Act; Administrative Rules 340.2, 340.15, 340.16, and 340.1733(i); Section 5-P of the Pupil Accounting Manual
S60	Work-Based - Special Education - Other Documentation Missing or Incomplete	Work-based learning documentation for the pupil was missing one or more of the required documents to count in membership, i.e., experience did not align with the IEP/EDP, no safety training, no worker's compensation/general liability insurance, etc.	§1279h of the Revised School Code; §6(4)(q) of the State School Aid Act; Administrative Rules 340.2, 340.15, 340.16, and 340.1733(i); Section 5-P of the Pupil Accounting Manual
S61	Work-Based - General Education - Other Documentation Missing or Incomplete	Work-based learning documentation for the pupil was missing one or more of the required documents to count in membership, i.e., experience did not align with the IEP/EDP, no safety training, no worker's compensation/general liability insurance, etc.	§1279h of the Revised School Code; §6(4)(q) of the State School Aid Act; Administrative Rules 340.2, 340.15, 340.16, and 340.1733(i); Section 5-P of the Pupil Accounting Manual
S62	Work-Based - Other		
S63	Experiential Learning Courses - Other		Administrative Rule 340.14; Section 6-A of the Pupil Accounting Manual
S64	Other		
S65	Adult Ed		
S66	Attendance - Other		
S67	Residency - Other		
S68	Seat Time Waiver - Other	DO NOT USE	

NBR	ABBREV	DESCRIPTION	LEGAL REFERENCES
S69	Seat Time Waiver - Attendance Requirement Not Met	Pupil did not meet the attendance requirement specified in the implementation plan. DO NOT USE	§101(9) of the State School Aid Act; Administrative Rule 340.18; Section 5-O-B of the Pupil Accounting Manual
S70	Seat Time Waiver - Two-way Weekly Interaction	No documentation of weekly two-way interaction that is relevant to the pupil's course content for each week of the count period. DO NOT USE	§101(9) of the State School Aid Act; Administrative Rule 340.18; Section 5-O-B of the Pupil Accounting Manual
S71	Seat Time Waiver - Course-Specific Schedule	Pupil does not have a course-specific schedule. DO NOT USE	§101(9) of the State School Aid Act; Administrative Rule 340.18; Section 5-O-B of the Pupil Accounting Manual
S72	Seat Time Waiver - Teacher of Record	Teacher of record is not assigned to pupil or teacher of record is not a certified Michigan teacher employed by the district. DO NOT USE	§101(9) of the State School Aid Act; Administrative Rule 340.18; Section 5-O-B of the Pupil Accounting Manual
S73	Approved §25e Adjustments (November)	System-generated audit finding for auditor-approved §25e requests in the month of November	§25e of the State School Aid Act
S74	Approved §25e Adjustments (December)	System-generated audit finding for auditor-approved §25e requests in the month of December	§25e of the State School Aid Act
S75	Approved §25e Adjustments (January)	System-generated audit finding for auditor-approved §25e requests in the month of January	§25e of the State School Aid Act
S76	Approved §25e Adjustments (February)	System-generated audit finding for auditor-approved §25e requests in the month of February	§25e of the State School Aid Act
S77	Approved §25e Adjustments (March)	System-generated audit finding for auditor-approved §25e requests in the month of March	§25e of the State School Aid Act
S78	Approved §25e Adjustments (April)	System-generated audit finding for auditor-approved §25e requests in the month of April	§25e of the State School Aid Act

NBR	ABBREV	DESCRIPTION	LEGAL REFERENCES
S79	Approved §25e Adjustments (May)	System-generated audit finding for auditor-approved §25e requests in the month of May	§25e of the State School Aid Act
S80	Approved §25e Adjustments (June)	System-generated audit finding for auditor-approved §25e requests in the month of June	§25e of the State School Aid Act
S81	Manual §25e Adjustments	§25e requests manually entered by the Pupil Auditor	§25e of the State School Aid Act
S82	Certified Teacher	Pupil is not taught by a certified teacher.	§6(8) and §163 of the State School Aid Act; Revised School Code 380.1231 , 380.1233 ; 2 Administrative Rule 340.10(2)(a)
S83	Virtual Learning - Parental Consent	Parental consent documentation was not on file and student is not age 18 or an emancipated minor.	§21f of the State School Aid Act; Section 5-O-D of the Pupil Accounting Manual
S84	Early Middle College - >1.0 FTE	Pupil was enrolled in an early middle college and eligible to be claimed for more than 1.0 FTE.	§6(4)(kk) of the State School Aid Act
S85	Virtual Learning - Two-way Weekly Interaction	No documentation of weekly two-way interaction, for one or more weeks, relevant to the pupil's course content or course progression for each week of the count period; no attendance or documentation of a completed participation activity as defined in the Pupil Accounting Manual.	MCL 388.1606(9)(c, d) ; Administrative Rule 340.11 ; PAM 5-O-D (3 & 4)
S86	Shared Time Pupil - Classes not Offered	Shared Time pupils received instruction in class not offered or available to public school students.	MCL 388.1766b(1)
S87	Shared Time Pupils - FTE	Shared Time classes were claimed for greater FTE than same classes offered to district public school students.	MCL388.1766b
S88	Counting Instructional Hours - Classes	The class was not offered for credit toward a high school diploma or was not required for grade progression.	MCL 388.1606a(2c) ; MCL 388.1766b(3) ; Administrative Rule 340.10 ; 340.11

NBR	ABBREV	DESCRIPTION	LEGAL REFERENCES
S89	Pupil Class Schedules - Placeholder	Student schedule contained placeholder as course names and not the actual course names.	PAM 1-7 (3); MCL388.1606(8)
S90	Pupil Class Schedules - Approved Courses	Middle or high school student schedule contained courses not listed in the board-approved course catalog.	PAM 1-1 (5); MCL 388.1766(i)(i) ; Administrative Rule 340.11 (2)(b); MCL 388.1621f(7)(a)
S91	Early Middle College - Final Year Math Class	The pupil was not enrolled in at least one math or math-related class during the pupil's final year.	5 th Year EMC Companion Document
S92	Early Middle College - 5 th Year High School Class	The pupil was not enrolled in at least one course in the fifth year that earns high school credit during both count periods.	5 th Year EMC Companion Document
S93	Virtual Learning - Two-way Weekly Interaction	No documentation of weekly two-way interaction that is relevant to the pupil's course content or grade progression for each week of the count period.	MCL 388.1606 ; PAM 5-O-D 3 & 4
S94	Shared Time - Availability	Shared Time pupils participated in classes/programs that were not available to the majority of full-time district pupils in the same grade level or age group.	MCL 388.1606(6) ; MCL 388.1766b ; PAM Section 5-E

568-572 DO NOT USE

DO NOT USE

CONFIRMATION REQUEST

_____ School District
 Auditing Procedures Completed by _____ ISD
 Count Dates _____

Purpose - This form is to be completed by the school district to provide standard information for the public accountant who is auditing the financial records of the district. The work done by pupil membership auditors and the results of the audit are considered by the public accountant when designing his/her audit procedures. This optional form is provided by the Michigan Department of Education at the request of several ISD representatives who wanted a standard reporting form.

1. Identify the individual(s) who audited the pupil membership counts and graduation and drop out (GAD) data. Include their years of experience, education, and any recent pupil membership and GAD training they have attended.

<u>Auditor</u>	<u>Years of Experience</u>	<u>Education</u>	<u>Training (Date, Title)</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

2. Indicate any relationships the pupil membership auditors may have with the local school district or its employees that may impair the pupil membership auditor's independence.

3. Desk audits were performed for the following buildings/programs for the:

October Count:
 February Count: _____

4. Field audits were performed for the following buildings/programs for the:

October Count: _____
 February Count: _____

5. Report the number of state aid memberships:

	General Ed K-12	Special Ed K-12 Sec. 52	Special Ed K-12 Sec. 53a	Total
October	_____	_____	_____	_____
February	_____	_____	_____	_____

6. Did the ISD use the Michigan Department of Education (the Department) audit process?

Yes No

If not, did the ISD use a standardized approach to the audit process?

Yes No

Please describe the audit process used and include a copy of the audit program (not the work papers) if the Department audit program was not used.

7. As part of your audit procedures, was the district's entry of the individual building pupil counts into the district-wide total for MSDS (Form DS-4061) reviewed for reasonableness?

Yes No If no, please explain.

8. Did the local district provide required supporting records for verification of the count?

Yes No If no, please discuss which significant records were missing.

9. Did the pupil membership auditor perform a building risk assessment and perform sampling based on the risk assessment? Yes No

Please describe the risk factors considered and the sampling method used.

10. Were higher risk programs and issues (Population III categories) considered in the scope of the audit? Yes No If no, please explain.

11. For pupils absent on the count day, did the audit scope include procedures to verify that pupils included in the count properly returned to school within the 10- or 30-day periods?

Yes No If no, please explain.

12. Were any building error rates greater than 5%? Yes No

If yes, describe the results of the expanded audit procedures.

-
-
13. Were any building error rates greater than 10%? _____ Yes No
If yes, describe the actions taken.

-
-
14. Was the most recent DS-4168 reviewed? _____ Yes ___ No
Please indicate any exceptions or shortages of days or hours.

-
-
15. Although the current year's DS-4168 is not due until August, did you review (as a matter of assistance to the local district) the current school year calendar for compliance with the current year minimum days and hours?
___ Yes ___ No If yes, please explain any potential shortages noted.

Results

1. Were all pupil accounting adjustments included in the pupil auditor's narrative report? _____ Yes ___ No If no, please explain.

-
-
2. Based on the result of the ISD pupil count audit, in the pupil membership auditor's opinion, does the local school district have an adequate process for computing a substantially accurate membership count in accordance with the Pupil Accounting Manual? _____ Yes ___ No If no, please explain.

-
-
3. Does the pupil membership auditor have any reason to believe that significant errors might exist that were not detected in the audit? _____ Yes ___ No
If yes, please explain (including the amount of the potential adjustment).

Exit Status, Drop Out Rates, and Graduation Rate Audits

1. Desk or field audits were performed for the:

February Count _____ October Count _____

2. Did the ISD use the Department audit process? _____ Yes ___ No
If not, did the ISD use a standardized approach to the audit process?
___ Yes ___ No

Please describe the audit process used and include a copy of the audit program

(not the work papers) if the Department audit program was not used.

3. Were any building error rates greater than 5% _____ Yes ___ No
If yes, describe the results of the expanded audit procedures.

Completed by: _____ Date: _____

Title: _____

<u>Acronym</u>	<u>Meaning</u>
CEPI	Center for Educational Performance and Information
CPA	Certified Public Accountant
CTE	Career and Technical Education
DS4061	Unaudited FTE Report
DS4120	Audited FTE Report
DS4168	Days and Clock Hours Report
EDP	Educational Development Plan
EEM	Educational Entity Master
FTE	Full Time Equated
GAD	Graduation and Dropout
GED	General Educational Development
IEP	Individualized Education Program
IFSP	Individualized Family Service Plan
ISD	Intermediate School District
JROTC	Junior Reserve Officer Training Corp
MCL	Michigan Compiled Laws
MOECS	Michigan Online Educator Certification System
MSDS	Michigan Student Data System
MSIX	Migrant Student Information Exchange
MVU	Michigan Virtual University
OEE	Office of Educator Excellence
PSA	Public School Academy
QCR	Quality Control Review
REP	Registry of Educational Personnel
SIS	Student Information System
SRM	Student Record Maintenance
TCLE	Transition Community Living Experience
UIC	Unique Identification Code
USED	United States Department of Education

CEPI DATES AND DEADLINES

DATE	APP/EVENT	DESCRIPTION
6/10/2024	MSDS	Nonpublic School Student Roster Collection Opens
6/10/2024	MSDS	MSDS Early Roster Collection Opens
7/1/2024	MPDI	MPDI Tuition and Fees Collection Opens
8/1/2024	REP	REP Fall Collection Opens
8/1/2024	MPDI	MCCDI Collection Opens (Community Colleges)
8/1/2024	STARR	STARR General Collection Opens (Community Colleges, Universities and Independent Colleges)
8/5/2024	FID	FID 4094 Collection Opens
8/5/2024	GAD	GAD Appeal Window Opens
8/21/2024	MSDS	Early Childhood End of Program Reporting Period End
8/22/2024	MSDS	SRM Appeals Opens
8/28/2024	MSDS	Early Childhood End of Program Collection Certification Deadline
8/30/2024	MPDI	MPDI Annual Reporting Requirements - Tuition Restraint Closes
8/30/2024	MPDI	MPDI Tuition and Fees Collection Closes
9/3/2024	FID	FID Collection Opens
9/11/2024	GAD	GAD Appeal Window Closes
9/23/2024	MSDS	MSDS TSDL Migrant Collection Opens
9/23/2024	MSDS	MSDS Fall General Collection Opens
9/23/2024	MSDS	MSDS Fall Early Childhood Collection Opens
9/23/2024	MSDS	SRM Open
9/30/2024	FID	FID 4096 Collection Closes
10/2/2024	Count Day	MSDS General Fall Count Day
10/7/2024	FID	FID 4094 Collection Closes
10/7/2024	GAD	GAD Audit Window Opens
10/15/2024	STARR	STARR General Collection Closes (Community Colleges, Universities and Independent Colleges)
11/1/2024	MSDS	MSDS Early Childhood Spring Reporting Period Starts
11/1/2024	MPDI	MCCDI Section 245(7) FASFA Workbook Deadline
11/1/2024	MPDI	MCCDI Collection Closes (Community Colleges)
11/1/2024	FID	FID Collection Closes
11/6/2024	MSDS	MSDS Fall General Collection Submission Certification Deadline
11/13/2024	MSDS	MSDS Early Roster Collection Closes
11/13/2024	MSDS	MSDS Fall General Collection Recertification Deadline

11/13/2024	MSDS	MSDS Fall Early Childhood Certification Deadline
11/15/2024	MPDI	MCCDI Section 222 Deadline
11/27/2024	GAD	GAD Audit Window Closes
12/2/2024	REP	REP Fall Collection Closes
12/11/2024	MSDS	MSDS Early Childhood Spring Collection Opens
1/2/2025	REP	REP Collection Opens
2/5/2025	MSDS	MSDS General Spring Collection Opens
2/12/2025	Count Day	MSDS General Count Day
2/19/2025	MSDS	MSDS Spring Early Childhood Reporting Period Ends
2/20/2025	MSDS	MSDS End of Program Early Childhood Reporting Period Starts
2/26/2025	MSDS	Early Childhood Spring Certification Deadline
3/19/2025	MSDS	MSDS Fall Audit Deadline
3/19/2025	MSDS	MSDS General Spring Collection Certification Deadline
3/26/2025	MSDS	MSDS General Spring Collection Recertification Deadline
4/1/2025	SID	SID Collection Opens
4/16/2025	MSDS	Early Childhood End of Program Collection Opens
5/1/2025	MSDS	TSDL Collection Opens
5/1/2025	MSDS	MSDS General EOY Collection Opens
5/1/2025	D/CH	Days and Clock Hours Opens
5/30/2025	STARR	STARR Collection TIP-Pell Deadline
6/2/2025	FID	FID Budgetary Assumptions Collection Opens
6/4/2025	MSDS	Nonpublic School Student Roster Collection Closes
6/30/2025	MSDS	SRM Closes
6/30/2025	SID	SID Collection Closes
6/30/2025	REP	REP EOY Collection Closes
6/30/2025	MSDS	MSDS General EOY Certification Deadline
7/1/2025	MPDI	MPDI Annual Reporting Requirements - Public Transparency Opens
7/1/2025	MPDI	MPDI Annual Reporting Requirements - Campus Safety Opens
7/1/2025	MPDI	MPDI Annual Reporting Requirements - Title IX Opens
7/1/2025	MPDI	MPDI Annual Reporting Requirements - Tuition Restraint Opens
7/1/2025	MPDI	MPDI Annual Reporting Requirements - Local Strategic Value Opens
7/1/2025	MPDI	MPDI Tuition and Fees Collection Opens
7/7/2025	FID	FID Budgetary Assumptions Collection Closes
7/15/2025	D/CH	Days and Clock Hours District Certification

7/22/2025	MSDS	SRM Appeals Opens
7/30/2025	MSDS	MSDS Spring Audit Deadline
8/1/2025	STARR	STARR General Collection Opens (Community Colleges, Universities and Independent Colleges)
8/1/2025	D/CH	Days and Clock Hours ISD Certification
8/1/2025	MPDI	MCCDI Section 222 Opens
8/1/2025	MPDI	MCCDI Collection Opens (Community Colleges)
8/4/2025	FID	FID 4094 Collection Opens
8/4/2025	GAD	GAD Appeal Window Opens
8/4/2025	MSDS	TSDL Migrant Collection Certification Deadline
8/4/2025	MSDS	TSDL Collection Certification Deadline
8/6/2025	FID	FID 4096 Collection Opens
8/20/2025	MSDS	MSDS Early Childhood End of Program Reporting Period Ends
8/27/2025	MSDS	Early Childhood End of Program Certification Deadline
8/29/2025	MPDI	MPDI Tuition and Fees Closes
8/29/2025	MPDI	MPDI Annual Reporting Requirements - Tuition Restraint Closes
9/2/2025	FID	FID Collection Opens
9/10/2025	MSDS	SRM Appeals Closes
9/10/2025	GAD	GAD Appeal Window Closes
9/30/2025	FID	FID 4096 Collection Closes
10/6/2025	GAD	GAD Audit Window Opens
10/7/2025	FID	FID 4094 Collection Closes
10/15/2025	MPDI	MPDI Annual Reporting Requirements - Local Strategic Value Closes
10/15/2025	STARR	STARR General Collection Closes (Community Colleges, Universities and Independent Colleges)
11/1/2025	MSDS	MSDS Audit Narrative Deadline
11/1/2025	MPDI	MPDI Annual Reporting Requirements - Public Transparency Closes
11/1/2025	MPDI	MPDI Annual Reporting Requirements - Campus Safety Closes
11/1/2025	MPDI	MPDI Annual Reporting Requirements - Title IX Closes
11/3/2025	MPDI	MCCDI Collection Closes (Community Colleges)
11/3/2025	MPDI	MCCDI Section 245(7) FASFA Workbook Deadline
11/3/2025	FID	FID Collection Closes
11/15/2025	MPDI	MCCDI Section 222 Deadline
11/25/2025	GAD	GAD Audit Window Closes
12/10/2025	MSDS	MSDS Early Childhood Spring Collection Opens
1/7/2026	REP	REP End of Year Collection Opens

1/15/2026	MPDI	MPDI Annual Reporting Requirements-Local Strategic Value
2/4/2026	MSDS	MSDS Spring Collection Opens
2/11/2026	MSDS	MSDS Spring Count Day
2/18/2026	MSDS	MSDS Early Childhood Spring Reporting Period End
2/19/2026	MSDS	MSDS Early Childhood End of Program Reporting Period Starts
2/25/2026	MSDS	MSDS Early Childhood Spring Certification Deadline
3/18/2026	MSDS	MSDS Spring Collection Submission Certification Deadline
3/25/2026	MSDS	MSDS Spring Collection Recertification Deadline
4/1/2026	SID	SID Collection Opens
4/15/2026	MSDS	MSDS Early Childhood End of Program Collection Opens
5/1/2026	MSDS	TSDL Collection Opens
5/1/2026	MSDS	MSDS End of year Collection Opens
5/1/2026	D/CH	Days and Clock Hours Opens
5/29/2026	FID	Budgetary Assumptions Collection Opens
6/3/2026	MSDS	MSDS Nonpublic School Student Roster Closes
6/30/2026	SID	SID Collection Closes
6/30/2026	MSDS	MSDS General End of year Certification Deadline
6/30/2026	MSDS	SRM Closes
7/1/2026	MPDI	MPDI Tuition and Fees Collection Opens
6/30/2026	REP	REP End of Year Collection Closes
7/2/2026	FID	Budgetary Assumptions Collection Closes
7/15/2026	D/CH	Days and Clock Hours District Certification
7/22/2026	MSDS	SRM Appeals Opens
8/3/2026	MCCDI	MCCDI Collection Opens (Community Colleges)
8/3/2026	FID	4094 Collection Opens
8/3/2026	GAD	GAD Appeals Window Opens
8/3/2026	MSDS	STARR Collection Opens
8/3/2026	MSDS	TSDL Certification Deadline
8/3/2026	D/CH	Days and Clock Hours ISD Certification
8/4/2026	MSDS	Migrant TSDL Certification Deadline
8/5/2026	FID	4096 Collection Opens
8/19/2026	MSDS	MSDS Early Childhood End of Program Reporting Period Ends
8/26/2026	MSDS	MSDS Early Childhood End of Program Certification Deadline
8/31/2026	MPDI	MPDI Tuition and Fees Closes
9/4/2026	FID	FID Collection Opens

9/9/2026	GAD	GAD Appeals Window Closes
9/16/2026	MSDS	SRM Appeals Closes
9/30/2026	FID	4096 Collection Closes
10/5/2026	GAD	GAD Audit Window Opens
10/7/2026	FID	4094 Collection Closes
10/15/2026	MSDS	STARR Collection Closes
11/2/2026	MCCDI	MCCDI Collection Closes (Community Colleges)
11/2/2026	MCCDI	Section 245 (7) FAFSA Workbook Deadline
11/9/2026	FID	FID Collection Closes
12/4/2026	GAD	GAD Audit Window Closes

Disclaimer: The following is provided as a service of the Michigan Department of Education (Department) and is included in this manual with the understanding that the Department is not hereby rendering legal advice or representing that all relevant authority is included. No judicial or administrative decisions or Michigan attorney general opinions are included and neither the lists of statutory, regulatory, and other relevant authority nor the topical index is intended to be comprehensive. Individuals should consult all relevant statutes, administrative rules, judicial and administrative decisions, Attorney General opinions, and other authority, and those desiring or requiring legal advice should seek the services of an attorney.

MICHIGAN AND FEDERAL STATUTES

- Career and Technical Preparation Act, [MCL 388.1901](#) - [MCL 388.1913](#)
- Fair Labor Standards Act, 29 USC 201 *et seq.*
- Individuals with Disabilities Education Act, 20 USC 1400 *et seq.*
- Interstate Compact on Educational Opportunity for Military Children, [MCL 3.1041](#) - [MCL 3.1042](#)
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