


MICHIGAN Accounting & Auditing Alert FY 2021-22

Please share this Accounting and Auditing Alert with superintendents, business managers, program office personnel, and food service personnel. Unless otherwise noted, all information applies to the school's fiscal year 2021-22.

The Michigan School Auditing Manual has been updated for the 2021-22 fiscal year. It should be noted that the compliance supplements provided in the manual are not all inclusive. Consult the Office of Management and Budget (OMB) Compliance Supplement and any applicable addendums (revised annually) for additional program requirements.

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

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

MANDATORY ELECTRONIC FILING OF SCHOOL DISTRICT AUDITS

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

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

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

AUDIT UPDATES

- MDE cannot accept audits with a disclaimer of opinion. Contact the audits office as soon as you think this may be an issue.
- Entitlement commodities and bonus commodities must be shown as separate line items on the SEFA.
- Added requirements to include alphas on applicable assistance listing numbers (example 84.425).

**Note that there are compliance requirements that are not required to be tested by audit firms per OMB, however LEAs are still responsible for compliance with these requirements. MDE may test these additional compliance requirements as part of subrecipient monitoring.

NEXSYS

NexSys has replaced the Cash Management System (CMS) as of February 2021. Grant Auditor Reports are now accessible only through NexSys. The transition from MEGS+ to NexSys is estimated to occur in 2022-2023. See the Grants System section of the manual for additional information. The Grant Auditor Report now includes alphas for all 84.425 funding sources.

CHILD NUTRTION UPDATES:

- Added Seamless Summer Option (SSO guidance)
- Waivers for Extended SFSP operations expired June 30, 2021. Multiple additional waivers are available through June 30, 2022.
- Added link to USDA Memo SP 05-2020 regarding professional standards.
- Added MDE Food Service Indirect Cost Calculations Template.
- Updated purchase threshold for bidding.
- MDE is no longer requesting excess fund balance/net cash resources to be reported as a federal finding if the amount is not material. If an LEA has an immaterial excess fund balance, MDE is requesting that auditors inform the LEA via a management comment in the management letter.
- Added an excess fund balance calculator.
- Office contact changes.

TITLE I, PART A&D UPDATES:

- MDE secured a USED Waiver #2 related to the ESEA 15 percent carryover limitations. The waiver is applicable to school year 2020-21 allowing carryover into 2021-22.
- Added guidance on how to report a transfer of ESEA funds on SEFA and notes to the SEFA.
- Parapro testing is now available online.

TITLE II, PART A UPDATES:

Program name change from Improving Teacher Quality to Supporting Effective Instruction.

EDUCATION STABILIZATION FUND PROGRAMS UPDATE:

- Added ESSER II and ARP ESSER (ESSER III) guidelines.
- Added FID codes.
- Added table of dates to know for ESSER I, II, III & Section 11t.

The funds have a very limited shelf life and must be spent before the Tydings Amendment Period ends:

Name of Grant	ESSER I	ESSER II	ARP ESSER III	Section 11t
Expenditure Period Start	March 13, 2020	March 13, 2020	March 13, 2020	March 13, 2020
Expenditure Period End	September 30, 2021	September 30, 2022	September 30, 2023	September 30, 2023
Tydings Amendment End	September 30, 2022	September 30, 2023	September 30, 2024	September 30, 2024
Liquidation Period End	December 30, 2022	December 30, 2023	December 30, 2024	December 30, 2024
Application Deadline	N/A	N/A	December 15, 2021 / February 15, 2022	TBD (90 days after application opens)

Tydings Amendment Period date is the last date to obligate funds for each specific grant

ARP ESSER III: February 15, 2022, deadline for those that checked box requesting more time

MEDICAID UPDATE:

Added Caring 4 Students (C4S) program guidance.

COMPLIANCE AND YELLOW BOOK UPDATES

- The 2021 Compliance Supplement may be found at: [2021 Compliance Supplement Website Link](#). The 2021 Compliance Supplement Addendums I & II may be found at: [2021 Compliance Supplement Addendum I & II Website Link](#).
- OMB 2 Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly called Uniform Guidance, electronic version (current as of August 13, 2020) may be found at: [2 CFR Part 200 Website Link](#).
- The Yellow Book was last revised in 2018. The 2018 Yellow Book may be found at: [Yellow Book Website Link](#).

COMMON OFFICE OF FINANCIAL MANAGEMENT REVIEW ISSUES

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

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

FINANCIAL DATA CONSISTENCY

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

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

FINANCIAL INFORMATION DATABASE

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

IMPORTANT REMINDERS

1. **Early Warning Indicators**-Early Warning Legislation was enacted July 7, 2015 to address districts and public school academies with early warning indicators of financial stress. See [Michigan Department of Treasury Fiscal Accountability Website](#) for more information.
2. **Deficit Fund Balance**-See the [MDE Deficit District Information Website](#) and the [Michigan School Auditing Manual](#) for more information.
3. **Transfer From General Fund To Capital Projects and Debt Service**-Section 18 of the State School Aid Act allows for the transfer of not more than 20% of total State Aid to either the Capital Projects fund or the Debt Retirement fund for debt service. See [Section 18 of the State School Aid Act](#) for additional information.
4. **Accounting for the Recovery of Indirect Costs**-The *Michigan Public School Accounting Manual, Section II, E.03* includes a discussion on accounting for the recovery of indirect costs. It may be found at the following URL: [Michigan School Accounting Manual Section II Website Link](#). In addition, guidance related to determining the indirect cost rate and how it may be used is available at: [MDE Indirect Cost Rates Website Link](#).
5. **Accounting for State School Aid Revenues**-The account codes for all revenues received through the State School Aid Act may be found at: [Link to Account codes for all revenues received through the State School Aid Act](#).
6. **Maintenance of Effort (MOE)**-The Office of Financial Management, State Aid and School Finance Unit calculates the ESEA Maintenance of Effort for all Michigan public schools. The data is available on the MDE website at: [MDE Maintenance of Effort Website Link](#).
7. **Budget Posting to District's Website**-Language in Section 18(2) of the State School Aid Act requires local districts, intermediate districts and public school academies to post their annual operating budget and subsequent amendments on their website. Guidelines for this reporting may be found in the *Michigan Public School Accounting Manual, Section II, C.05* at: [Michigan Public School Accounting Manual Section II Website Link](#). The MDE Guidance related to Budget Transparency Reporting Requirements may be found at: [MDE Budget Transparency Website Link](#).
8. **Schedule of Expenditures of Federal Awards Provided to Subrecipients**-Required by MDE. See the [Michigan School Auditing Manual](#) for additional information.

9. **Food Service Indirect Costs**-All direct costs, excluding the cost of food for food services and items for resale (straw, napkin, Styrofoam container), are subject to the approved unrestricted indirect cost rate. The Office of Financial Management, State Aid and School Finance Unit calculates the indirect cost rate based on the prior two years. See the Michigan School Auditing Manual for more information.
10. **Fraud Illegal Acts, Contract Violations, Grant Violations, Abuse**-The Yellow Book requires auditors to report known or likely fraud, illegal acts, and violations of provisions of contracts or grant agreements or abuse directly to parties outside the audited entity in certain circumstances. See the [Michigan School Auditing Manual](#) for more information.
11. **Budget Detail For Consolidated Application Programs**-July 1 through September 30 (overlap/summer school period). See [the Michigan School Auditing Manual](#) for more information.
12. **Obligation Date For Consolidated Application Programs**-Submit before July 1 to receive a July 1 obligation date. See the [Michigan School Auditing Manual](#) for more information.