


MICHIGAN Accounting & Auditing Alert FY 2023-24

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 2023-24.

The Michigan School Auditing Manual has been updated for the 2023-24 fiscal year. It should be noted that the compliance supplement sections 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](#). 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: <https://www.michigan.gov/mde/services/financial-management/audits>. 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 document must be less than 4MB** in size and submitted to Michigan Department of Education (MDE) without any type of security/password protection.
3. Districts will submit one copy of the audited financial statements to the MDE-FinAudit@michigan.gov address to meet the audit requirement for the Michigan Department of Health and Human Services (MDHHS) and Treasury. 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.

School district audited financial statements will not be made available on 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. For guidance on electronic filing of audits, see: [MDE Guidance on Electronic Filing Website Link](#)

AUDIT UPDATES

- Entitlement commodities and bonus commodities must be shown as separate line items on the Schedule of Expenditures of Federal Awards (SEFA).
- Alphas must be included on applicable assistance listing numbers (example 84.425a).
- MDE noted there was an exceptional number of deficiencies found in districts' compliance with the Davis Bacon Act in relation to Emergency and Secondary School Emergency Relief (ESSER) funds. Please review the requirements found in the Compliance Supplement to ensure compliance. Please also review the Wage Rate Requirements in the School Auditing Manual.

CHILD NUTRITION UPDATES:

- IMPORTANT REMINDER- MDE is no longer requesting excess fund balances to be reported as a federal finding. MDE is requesting that auditors inform the Local Education Agency (LEA) via a management comment in the management letter instead. Management decisions will not be processed for excess fund balance findings for the 2023-24 school year. If follow-up is required due to a prior year excess fund balance finding, please note this change as the reason for not re-issuing the finding and note the current excess fund balance in a management comment instead. This change is not applicable to instances of lack of internal controls.
- Traditional National School Lunch Program (NSLP) and School Breakfast Program (SBP) remained in place for school year operations in 2023-24 fiscal year. Michigan School Meals (Universal free meals) for school year 2023-2024 allowed all public-school students to eat for free. This state-funded initiative did not change any of the federal requirements.
- [Federal Register: Streamlining Program Requirements and Improving Integrity in the Summer Food Service Program \(SFSP\)](#). These changes impact Summer Food Service Program (SFSP), starting June 2023.
- Traditional SFSP operations for participating sponsors remained in place for the summer of 2023.
- Also, in SFSP for 2023, MDE imposed an additional review requirement for any sponsor participating in the newly authorized Rural Non-Congregate (RNC) meal service.
- Special guidance for Paid Lunch Equity (PLE) in SY 2023-24. There are different PLE requirements depending on a School Food Authority's (SFA's) fund balance level as of June 30, 2022.
- There are three primary reviews that fall under the School Nutrition Program Compliance Review umbrella. They include the Administrative Review, Resource Management Review, and Procurement Review. These reviews resumed last school year and are continuing each year. If a SFA is scheduled for SNP Compliance Reviews, they will be reviewed for all three in the year of review. A list of the sponsors being reviewed is available at: [Administrative Reviews \(michigan.gov\)](#)
- Effective SY 2022-23, the National School Lunch, School Breakfast, Afterschool Snack, and Special Milk applications relocated to the NexSys CNP: Coordinated Application. The Summer Food Service Program was added

to the Coordinated Application in FY 2024. We anticipate the application for FY 2025 opening in March 2024.

- The latest information on Smart Snacks and Exempt Fundraiser can be found at: [Smart Snacks in Schools \(michigan.gov\)](https://www.michigan.gov/smart-snacks)

CONSOLIDATED APPLICATION UPDATE:

- All Consolidated Application components and documents are in NexSys. MEGS+ is no longer being utilized going forward.

NEXSYS:

- The Consolidated Application is available in NexSys. To access the application, users must link their MEIS account to MILogin. In addition to the information below, please visit the MDE NexSys Website for upcoming basic NexSys training information.
 - **MILogin for Third Party Account:**
 - All users are required to create a MILogin for Third Party account to access NexSys. After a MILogin for Third Party account is created, users will need to link their MEIS accounts. Linking allows users' MEIS ID and NexSys accounts to be in sync so users can ensure their appropriate access to NexSys.
 - **What is MILogin?**
 - MILogin Third Party is the State of Michigan Identity Management solution that allows users to access numerous state services and systems online, across multiple departments, using a single user ID and password. This means that not only can users access MDE systems, they may also have access to other State of Michigan systems using one login and password. All systems to which users have access through MILogin Third Party will appear as links in one place.
 - **How to Login to MILogin Third Party**
 - Follow the instructions found at this link: [MILogin Third Party Instructions](#)
 - Once users have successfully linked their MEIS and MILogin for Third Party accounts, the process is complete.
 - For additional assistance, please contact 877-932-6424.
 - Questions and concerns about applications in NexSys can also be directed to: MDE-NexSys-Applications@michigan.gov.
 - Questions about the accounting system in NexSys should be directed to: MDE-NexSys-Accounting@michigan.gov.

EDUCATION STABILIZATION FUND PROGRAMS UPDATE:

- ESSER, GEER, and ARP FAQ update (December 2022) at [ESSER-and-GEER-Use-of-Funds-FAQs-December-7-2022-Update.pdf \(ed.gov\)](#)
- Maintenance of Equity (MOEQ) update (January 2023) at [2023-01-23-Update 22-0471-moequity-FAQs Final-Version.pdf \(ed.gov\)](#)

COMPLIANCE AND YELLOW BOOK UPDATES

- The 2022 Compliance Supplement may be found at: [2022 Compliance Supplement](#) **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.
- 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 AUDIT 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 Financial Information Database (FID) figures, including fund balance and federal revenue figures. The financial data on the SEFA should balance and should agree with the financial statements. Beginning accrued/unearned revenue balances should match the prior year ending accrued/unearned revenue balances. Section 18(10) sets the legal mandate for the withholding of state school aid payments if inconsistency exists between the audit and FID data. Special education reposting should also match FID figures.

FINANCIAL INFORMATION DATABASE

The annual comprehensive financial data will be collected electronically via the FID. The FID is also 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. The FID can be accessed at www.michigan.gov/cepi.

IMPORTANT REMINDERS

1. **Governmental Accounting Standards Board (GASB) Statement #96 – Subscription-Based Information Technology Arrangements**

GASB Statement #96 classifying and making changes to the accounting of Subscription-Based Information Technology Arrangements, or SBITAs, is effective for reporting periods beginning July 1, 2022 (districts' FY23). Many changes of GASB #96 mirror those found within the previous year's GASB Statement #87 – Leases.

Unless otherwise excluded, districts' SBITAs are now an (intangible) right-to-use subscription asset with a corresponding subscription liability and are subject to capitalization criteria, amortization, periodic interest expense calculation/recognition, and other new treatment.

In summary, SBITAs with a term of over one year will now require different accounting and auditing treatment. Full, detailed GASB #96 guidance including journal entry examples, FID and audit considerations, and additional resources was made available through the Michigan Public School Accounting Manual (Section II E.20) and can be accessed on pages 113-118 of <https://www.michigan.gov/mde/-/media/Project/Websites/mde/OFM/State-Aid/Bulletin-1022/SEC-II--Requirements.pdf>

2. **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.
3. **Deficit Fund Balance**-See the [MDE Deficit District Information Website](#) and the [Michigan School Auditing Manual](#) for more information.
4. **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.
5. **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](#).
6. **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](#).
7. **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](#).

8. **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](#).
9. **Schedule of Expenditures of Federal Awards Provided to Subrecipients**- See the [Michigan School Auditing Manual](#) for requirements and additional information.
10. **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.
11. **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.
12. **Budget Detail For Consolidated Application Programs**-July 1 through September 30 (overlap/summer school period). See [the Michigan School Auditing Manual](#) for more information.
13. **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.