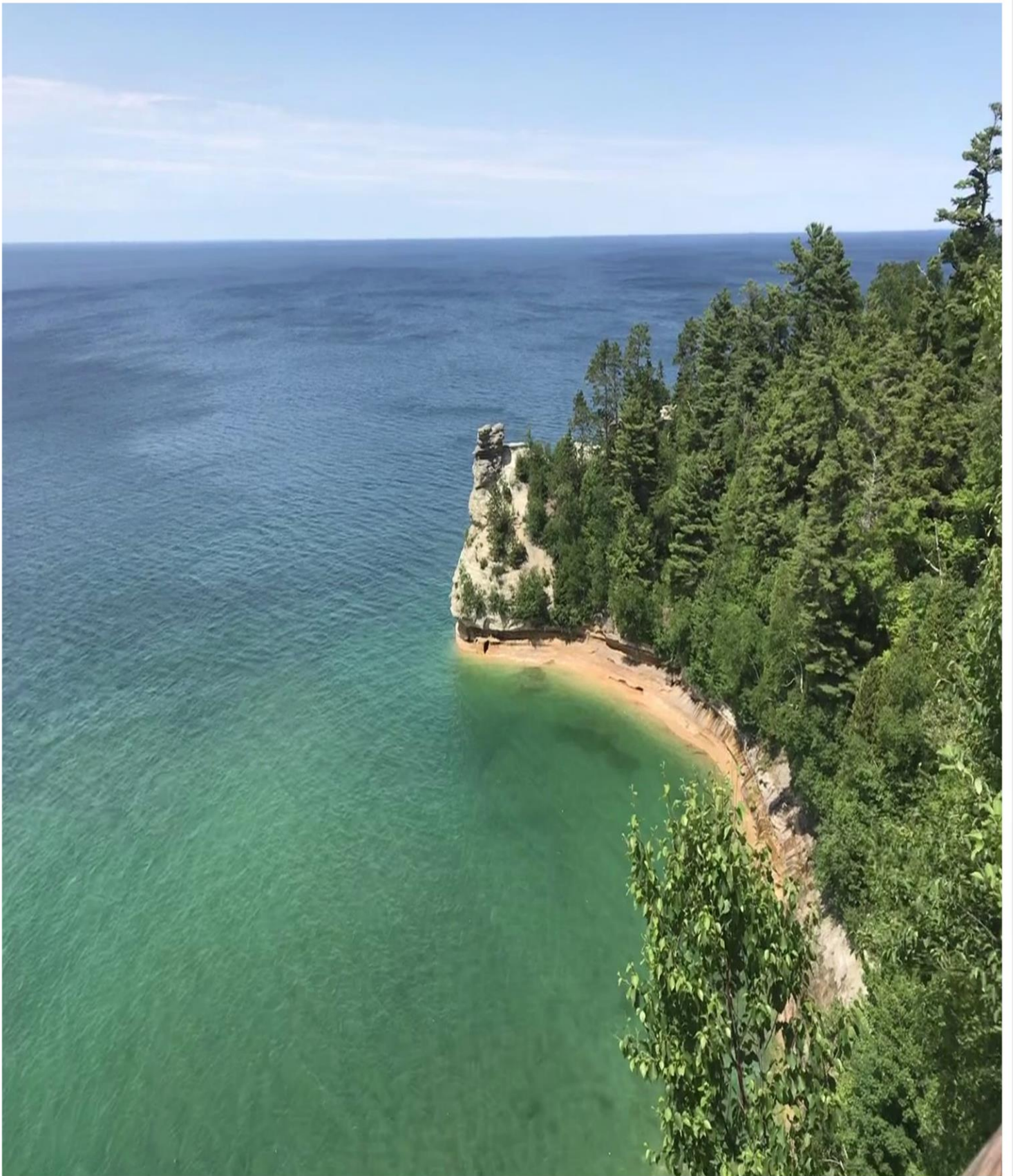


# *Michigan Pupil Membership Auditing Manual 2022-2023*



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# Pupil Membership Auditing Manual

## Table of Contents

INTRODUCTION.....	5
CHAPTER 1 – GENERAL REQUIREMENTS	
PUPIL MEMBERSHIP AUDITOR.....	6
REQUIRED DOCUMENTATION.....	8
DAY, HOUR, ATTENDANCE & PARTICIPATION REQUIREMENTS.....	11
TEACHER CERTIFICATION .....	13
CHAPTER 2 – AUDIT CYCLE, DESK AUDITS AND FIELD AUDITS	
AUDIT CYCLE .....	16
DESK AUDITS.....	18
FIELD AUDITS .....	24
SPECIFIC AUDIT PROCEDURES.....	29
CHAPTER 3 – AUDIT REPORTS AND REPAYMENTS .....	85
CHAPTER 4 – INFORMAL AGENCY REVIEW OF INTERMEDIATE SCHOOL DISTRICT AND CERTIFIED PUBLIC ACCOUNTANT PUPIL MEMBERSHIP AUDITS .....	86
CHAPTER 5 – QUALITY CONTROL REVIEW OF PUPIL MEMBERSHIP AUDITS AND INFORMAL AGENCY REVIEW OF QUALITY CONTROL REVIEW DECISIONS.....	88
CHAPTER 6 - EXIT STATUS, DROP-OUT RATE, AND GRADUATION RATE AUDIT	
INTRODUCTION .....	94
AUDITS OF ACTIVE COHORTS .....	95
AUDIT STEPS FOR GRADUATES AND COMPLETERS .....	96
AUDIT STEPS FOR EXEMPT PUPILS .....	97
ACCEPTABLE EXIT STATUS DOCUMENTATION.....	98
Appendix A .....	100
Appendix B .....	102
Appendix C .....	104
Appendix D.....	106
Appendix E .....	109
Appendix F .....	113
Appendix G.....	117
Appendix H.....	118

Appendix I.....	119
Appendix J.....	120
Appendix K.....	121
Appendix L.....	124
Appendix M.....	134
Appendix N.....	138
Appendix O.....	139
Appendix P.....	141

## INTRODUCTION

This manual is provided as a resource to pupil membership auditors in performing 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 auditing standards. These requirements apply to all pupils, including those in adult education programs operated by the Michigan Economic Development Corporation – Workforce Development Agency.

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 make sure that all audit procedures have been performed and should be completed at the conclusion of the audit. The audit checklists provided in this manual are required to be used and assist in documenting the audit procedures followed. The 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 along with any relevant documentation.

As part of the Department’s overall supervisory authority for state school aid, the Department conducts a quality control review (QCR) of the intermediate school district’s (ISD) pupil membership audit to determine compliance with statutory and manual requirements. The quality control reviewer meets with the pupil membership auditor, reviews the audit documentation, and determines whether an audit adjustment is warranted under applicable law, policy, the PAM, and the PMAM. The Department provides a report to the ISD and district superintendents summarizing the 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). Each ISD must document this training and provide documentation to the Department annually by November 1.

Section 18(4) of the State School Aid Act mandates that each district, including each public school academy (PSA), and each ISD have a pupil membership audit either by a pupil membership auditor employed by an ISD 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 them 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.

The CPA must:

- Perform all steps in the Pupil Membership Auditing Manual, including writing the audit narrative.
- Submit changes to the DS4061 (or an indication of no changes) to the pupil membership auditor within 20 weeks of the count date.
- Submit a signed narrative to the pupil membership auditor.
- Allow the 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 audit narrative into MSDS after reviewing the changes to the DS4061 and audit narrative provided by the CPA.

The 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.

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 pupil membership auditor. The district must also provide all documentation requested by the 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.
- d. Requirements for full-time pupil status as adopted by the school district board of education.
- e. List of board-approved courses/curriculum guides for each grade level.
- 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.
  - v. The pupil's grade level or program classification.
  - vi. For each pupil, the amount of general education FTE claimed, special education FTE claimed, and total FTE claimed.
  - vii. 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.
  - viii. The pupil's residency status.



- 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. Nonconventional students should be reported on separate lists for each category. 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. 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 highest risk category. 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 must follow the requirements as defined in the Pupil Accounting Manual to substantiate attendance definitively and clearly on specific dates and at specific times. If the pupil membership auditor deems the attendance records insufficient to substantiate membership, the pupil membership auditor shall provide the opportunity for the district to provide an alternative method to support claimed attendance. The teacher must sign the source attendance document regardless of the format.
  - e. Policy Defining Excused and Unexcused Absences.
  - f. Excused Absence Documentation- Every district must maintain a list of pupils absent on each scheduled and provided day of instruction. There may be 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 (See the Pupil Accounting Manual for documentation required to be contained in the CA60 and other documentation for each pupil for membership purposes):
- a. Enrollment records (CA60).
  - b. Proof of pupil identity and age.
  - c. Pupil class schedules which were in effect on count day and must reflect all courses in which the pupil is enrolled for the semester or trimester. The class schedule must contain the following:
    - i. Pupil’s legal name.
    - ii. Pupil’s identification number.
    - iii. Course names and numbers - all placeholder course names, with the exception of 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.
  - d. Additional student records maintained for auditor review, including transcripts and Educational Development Plans (EDP).
- 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.

## DAY, HOUR, AND ATTENDANCE REQUIREMENTS

For the 2022-23 school year, 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.

### **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 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 operate 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 date, the instructional time remains countable toward the day and hour requirements for buildings scheduled to provide instruction on that date.

For a full-time equated membership, each district shall schedule to provide at least 1,098 hours of pupil instruction to pupils in grades K-12 per Section 101(3)(a) of the State School Aid Act. 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.

Under Section 101(10) of the State School Aid Act (MCL 388.1701), a district may count up to 38 hours of qualifying professional development time for teachers as hours of pupil instruction. (See the PAM for the specific requirements.)

## **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 Sections 1284b and 1175 of the Revised School Code (MCL 380.1284a and 380.1175).

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

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
5. State Assessment Dates

## **TEACHER CERTIFICATION**

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

Section 6 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 also defines "pupils in grades K to 12 actually enrolled and in regular daily attendance" to mean "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). For the 2022-23 school year, the Act defines "class" to mean a period of time in one day when pupils and a certificated teacher, a teacher engaged to teach under section 1233b of the revised school code, MCL 380.1233b, or an individual working under a valid substitute permit, authorization or approval issued by the Department are together and instruction is taking place.

Beginning with the 2023-24 school year "class" is defined 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.

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. The contract with a teacher is not valid unless the individual holds a valid teaching certificate or is engaged to teach under section 1233b at the time the contractual period begins. As used in this section "Teacher" does not include a substitute teacher.

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.

These statutory provisions typically require that the use of non-certificated teachers result in both the adjustment of the foundation allowance for any pupil membership FTE associated with the teacher and a school aid adjustment for the salary paid during the period of non-certificated employment. However, for the 2022-23 school year, pupil membership auditors will only be required to make state aid deductions for inappropriate teacher placements at the grade level. Districts must still ensure that teachers are appropriately placed for the grade level and subject area (either with certificate or permit) to avoid a salary deduction. 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 pertain to virtual teachers, as well, 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.

Therefore, 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 2023-24 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. See [MDE Memo #067-22](#).

For the 2022-23 school year, pupil membership auditors are only 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 in which the teacher was not properly certified 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 pupil membership auditor suspects a certification violation (for example, a teacher lacking appropriate subject level certification), the pupil membership auditor must notify the OEE.
2. When the OEE has completed an investigation, OEE will notify the MDE Pupil Membership Auditor whether or not the teacher was found to be in compliance.
3. The MDE Pupil Membership Auditor will notify the pupil membership auditor of the results of the OEE investigation and the necessity to make FTE adjustments. FTE adjustments will only be made for grade level violations.

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 1<sup>st</sup> day of school without certification or permit. Count day for 2022 is October 5. On November 15, the district requests a permit or other certification. 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 25; count day is October 5; teacher receives permit on November 15; for a total of 56 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 on District Calendar	C. FTE deduction (A/B)	D. Total Deduction
56 days	180	$56/180 = .311$	$22 \times .311 = 6.84$ 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 1<sup>st</sup> day of school without certification or permit. Count day for 2022 is October 5. District pulls a substitute permit for the teacher on October 3. 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.

## 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 that all high school buildings or programs be field audited at least once every two school years and that 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 workpapers 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. The field audit planning schedule must also be submitted annually to the Pupil Membership Auditor 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 count dates of the last field audit should be noted in the audit narrative.

The risk assessment 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. Certain individual buildings and programs may need to be audited more frequently. 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% 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).
- The frequency of pupil absenteeism noted during the count period.
- The number of nonconventional pupils attending the building or program.

## 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 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).
- Review of the 75% attendance documentation.
- Review of pupil membership alpha lists.
- 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 should be done for the Fall count. It should be done again for the Spring count if there were significant adjustments after the Fall count.
- 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 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.
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.
  - 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) and 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. The auditor should determine whether the documentation provided by the district supports the FTE claimed for the nonconventional category selected. For completeness and accuracy, attendance records, student schedules and supporting documentation should be available to the ISD auditor for review.
  
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 a 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.
  - 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. Verify that the conflicts have been resolved before certifying the district's audit narrative.
  - d. If unable to resolve FTE conflicts, contact the Department's Pupil Membership Auditor. Do not leave conflicts unresolved.

9. Verify any pupils enrolled in a 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 more than the minimum number of instructional days (180) and hours (1,098).
  - b. The pupil is on track and expected to complete the 5-year program with a high school diploma and at least 60 transferable college credits or an associate degree.
  - c. The membership is exceeded due to the pupil's enrollment in courses specified as part of the early middle college program.
10. Review the Drop/Add lists provided by the district to determine the accuracy of pupils dropped or added near the count day. Review the Drop/Add lists between the Fall and Spring count days to determine the accuracy of differences in FTE counts. Auditors should use 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 offered previously.
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 conducting the Schools of Choice audit during the desk review, which is common when the district records are maintained centrally, 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 that it did not comply with schools of choice provisions in the State School Aid Act.

- 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 2022-23 school year, verify that all teachers hired by the district are appropriately placed in grade level. For the Spring count, perform these procedures for teachers added after the Fall count.
  - 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 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 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.
  - 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, and public school academies when engaged in instruction. See the Teacher Certification section of this manual.

These statutory provisions require that the use of inappropriately placed teachers result in both the adjustment of the foundation allowance for any pupil membership FTE associated with teachers in violation of grade level certification and a school aid adjustment equal to the salary paid during the period of inappropriate employment for teachers in violations of grade or subject level certification.

## 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 in an effort 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 that results in the loss of FTE.
  - d. District appeal procedures.
2. If a pupil is added as a result 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. Specific procedures are found in the Conducting the Field Audit section of this manual.

A field audit requires the auditor to interview a **minimum of two teachers and one school district pupil accounting personnel** or 5% of teachers and school district pupil accounting personnel, whichever is greater, for each building included in the field audit to determine the possibility that pupil accounting records may have been intentionally altered to secure unfair or unlawful gain. **No more than ten teachers and 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 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 has discretion in developing alternative audit checklists, but must:

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

### 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 on 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. The auditor should determine whether documentation provided by the district supports the FTE claimed for the nonconventional category selected.

4. Discuss the buildings/programs to be audited and the timing of the audit with the responsible local district personnel. Also, provide the local district with a list of items that will need to be made available during the field audit. Discussions should also include availability of workspace for the auditors, access to pupil membership records, and assistance to be furnished by the local district.
5. 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 Pupil Membership Auditor in the Department’s Office of Financial Management Audits Unit by November 1.
6. 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 performed. The percentages for Population III should be applied to each category of nonconventional pupils.

<b>Population</b>	<b>High Risk</b>	<b>Moderate Risk</b>	<b>Low Risk</b>
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. Perform the steps identified for "All Populations," "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 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.
  - 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 population.
  - 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 makes 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 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 planned sample expansion to the Pupil Membership Auditor 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 pupil accounting personnel, whichever is greater, to inquire whether they are aware of any inappropriate alterations of their attendance records or any other teacher's attendance records. No more than ten teachers and school district pupil accounting personnel are required to be interviewed. For a sample Staff Interview form see [Appendix I](#).
5. Determine and document all buildings utilized 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 visit.

## 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 in an effort 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 that results in the loss of FTE.
  - d. If an ISD audit of a pupil results in multiple findings, 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 DS4061/4120 adjustments at the student level, not the aggregate level.

## SPECIFIC AUDIT PROCEDURES

### ALL POPULATIONS

#### **Complete the following audit steps for all populations:**

1. Pupil Enrollment: Verify the pupil was enrolled on or before the count date. If the pupil enrolled after count day, the district may be able to claim membership for the pupil under the [Pupil Accounting Manual 5-Q-B](#), Section 25e Pupil Membership Transfers.
2. Pupil Age Requirement: Verify that the pupil met one of the following:
  - a. Pupil was at least five years of age on September 1 of the school year. Alternatively, if a child did not meet the minimum age requirement to be eligible to attend school under §1147 of the revised school code, MCL 380.1147, but will be five years of age not later than December 1, the district may count the child in membership if the parent or legal guardian has notified the district in writing that he or she intends to enroll the child in kindergarten for the school year.
  - b. Pupil was less than 20 years of age on September 1 of the school year, has not achieved a high school diploma or high school equivalency credential, and does not meet the special education exception.
  - c. Pupil was less than 22 years of age as of September 1 of the school year, has not achieved a high school diploma or high school equivalency credential, had dropped out of school, and is enrolled in a public school academy or an alternative education high school diploma program that is primarily focused on educating pupils with extreme barriers to education, as defined under 42 USC 11302. See the Pupil Accounting Manual for a list of examples.
  - d. Pupil was enrolled in and receiving instruction in a special education program or service approved by the Department, has not achieved (met all the requirements to be eligible to receive) a high school diploma, and was less than 26 years of age as of September 1. An individual who has obtained a high school equivalency credential may be counted if s/he was a student with a disability as defined in R 340.1702 of the Michigan Administrative Code. A special education certificate of completion is not a high school diploma for these purposes.
  - e. Pupil was in an alternative education program where adult education participants are educated in the same program or classroom and was at least 16 years of age on September 1, of the school year.
3. Identity and Age: Verify the local school district verified 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 outlined in Section 1 of the [Pupil Accounting Manual](#).

4. Pupil Residency: Verify that the district determined the residency status of the pupils as prescribed in Section 4 of the [Pupil Accounting Manual](#). A district is required to retain a copy of the document or documents used to verify residency as part of the enrollment record for each newly enrolled resident pupil and shall retain the document or documents used to verify that a nonresident pupil is eligible to enroll in the district.
5. Class Schedule: Verify each pupil had a complete current class schedule in effect on the count day. Class schedules must be complete without placeholders.
6. Attendance Records: Verify the district recorded attendance as prescribed in the Pupil Accounting Manual.
  - 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). This requirement applies to all attendance records, including computer-generated attendance records. The document must include the name of the class, class period and dates. Teachers must sign automated data collection attendance documents on a weekly basis at minimum. If the record is in pencil, the teacher of record must total the daily attendance in ink.
  - 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).
7. High school diploma or high school equivalency credential:
  - a. Verify the pupil had not achieved (met all of the requirements to be eligible to receive) a high school diploma or high school equivalency credential such as the General Educational Development (GED).
8. 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 (unless the pupil is enrolled under Section 5-O-D where the teacher and pupil may be separated by time, location, or both) and engaged in instruction. See teacher certification section of this manual.

## 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 audit steps for "All Populations."
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 audit steps for "All Populations."
3. Review the list to verify all pupils with an excused absence returned within 30 calendar days according to MCL 380.1606(8).
4. Review the list to verify all pupils with an unexcused absence returned within 10 consecutive school days according to MCL 380.1606(8).
5. Review the list 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 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. Auditors should attempt to draw a representative sample and should consider whether very small or large classes will bias the sample. The auditor should document 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 and a general finding should be written if a discrepancy is noted. The auditor should perform steps 4(a) and 4(b) from above for the Population II pupils and, in cases of noncompliance with the 10/30 day rule, expand that individual pupil record audit to class-by-class for return date verification. The auditor should count the Population II pupils in the teacher attendance books selected and document that a sufficient Population II sample was achieved (e.g., 10% for low risk). Auditors using this optional method will find it efficient to test Population I pupils using the same teacher attendance records.

## 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 [Pupil Accounting Manual](#).
2. Determine 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 [Pupil Accounting Manual](#) along with the accompanying law, should be consulted to confirm the sample has adequately satisfied all membership requirements.

## 5-A: ALTERNATIVE EDUCATION PROGRAMS

The Pupil Accounting Manual (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.
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 audit steps for "All Populations" for sampled pupils.
4. Verify the sampled pupils satisfied the requirements of 5-A 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. The pupil was enrolled in and attending courses that are earning credit toward a high school diploma or a high school equivalency credential.
  - c. Attendance was taken and documentation was provided to ensure that the pupil attended the number of hours scheduled.
  - d. The pupil did not generate more FTE per course than would be generated by a pupil in a traditional classroom setting.
  - e. The course was approved by the board of education of a school district or the board of directors of a public school academy.
  - f. The pupil was enrolled on or before the specified count day.
  - g. 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.
  - h. Attendance for learning labs is tracked for an entire week for membership purposes. The learning lab will appear on the student schedule for one or more periods.
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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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 counts toward earning a high school diploma.
  - 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 existed between the involved districts to provide certain educational programs. 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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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.
  - d. Course content was comparable to that of the alternative education program.
  - e. The course was capable of generating credit toward a high school diploma. Earned credit was recorded on the pupil's transcript.
  - f. Pupil instruction was required each week of the count period if the pupil was being counted for membership unless the pupil had a documented excused absence that prevented the pupil from receiving services during a week, or if instruction was canceled district-wide for three or more days during a week of the count period.

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-O-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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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. Evidence must consist of certification from a physician who is either an M.D. or a D.O. or a licensed physician's assistant. 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. This includes pupils in psychiatric hospitals, substance abuse centers, and pupils placed in other medical facilities by the parent or medical practitioners. A student may not be certified as eligible by a psychologist, chiropractor, or other professional.
  - b. The pupil is 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 one-hour, nonconsecutive periods 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. Under Administrative Rule 340.1746, the district is required to provide a special education homebound/hospitalized pupil with a minimum of 2 nonconsecutive hours of instruction per week during the count period. If the pupil does not receive the minimum instructional service due to an occurrence beyond the provider's control, the district may request a deviation from the Office of Special Education for the opportunity to "make up" the lost instructional time. See the Pupil Accounting Manual for specific instructions.
  - d. The pupil received instructional service during the count period, and there must be appropriate attendance records showing the dated 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 Pupil Accounting Manual (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 audit steps for “All Populations” for sampled pupils.
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.**
  - 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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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 may count a pupil for a part-time membership if the district had evidence of all of the following:
    - i. The pupil was 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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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 it to be in the best educational interest of a pupil in another grade level.
  - b. The pupil was concurrently enrolled in and attending 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 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. 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.
  - g. The pupil did not participate in intercollegiate athletics at the postsecondary institution while he or she is enrolled under the dual enrollment acts.

- 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, unless the pupil was eligible under Administrative Rule 388.153.
  - 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), unless the district had elected to support a pupil's enrollment beyond this limit and a written agreement between the district and postsecondary institution to waive this limit exists for the individual pupil.
  - j. The postsecondary course was not offered by the local public school in which the eligible pupil was enrolled, unless the course was determined to be unavailable to the eligible pupil due to a scheduling conflict beyond the eligible pupil's control, or the district determined it to be in the pupil's best educational interest to support the enrollment.
  - k. The career and technical preparation program was not offered through the school district, intermediate school district, 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.
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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
4. Verify the sampled pupils satisfied the requirements of 5-G-B in the PAM.
  - a. The pupil was considered full-time if one of the following was satisfied:
    - i. The combined number of classes in which the pupil was enrolled and attending at the high school and at an eligible postsecondary institution equaled the number of scheduled classes per day at the high school necessary to reach the minimum required hours for a full-time pupil. Actual hours of instruction do not need to be calculated.
    - ii. The combined number of classes in which the pupil was enrolled and attending at the high school and at an eligible postsecondary institution equaled the number of scheduled classes per day at the high school necessary to meet the minimum instructional time requirements of a reduced schedule. Actual hours of instruction do not need to be calculated.
    - iii. The sum of the actual instructional hours in which the pupil was enrolled and attending at the high school and at an eligible postsecondary institution plus the actual travel time met the minimum number of hours required to meet a reduced schedule.
    - iv. The pupil met the postsecondary institution's definition of a full-time college pupil.
  - 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 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 was 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.
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-C POSTSECONDARY GIFTED AND TALENTED PROGRAMS

The Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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. If the pupil is less than 18 years of age, both the pupil and the pupil's parent or legal guardian must sign the request. If the pupil is 18 years of age or older, the request must have been signed by 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. The local school district's counselor or other authorized representative must have signed and dated documentation of the approved reduced schedule for each pupil prior to implementation.
  - d. The local school district scheduled the pupil for at least 80% of the required minimum number of hours of instruction for the school year or, in the case of a district that operates on a four blocks per day schedule, the district scheduled the pupil for at least 75% of the required minimum number of hours of instruction for the school year.
  - e. For an IEP Reduced Schedule – Special education pupils are to attend the same number of days and hours as are required of any pupil to be counted for a full FTE. The IEP team may shorten the school day for a pupil with disabilities on an individual pupil basis. If the IEP team shortens the day for a medical or emotional reason, the pupil is eligible to be counted for 1.0 FTE. The medical or emotional reason shall be documented in the pupil's record or IEP.
  - f. The documentation supporting an IEP reduced schedule must be provided by a licensed physician or licensed physician's assistant.

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 Pupil Accounting Manual (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 audit steps for “All Populations” for sampled pupils.
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. The local district may only count this pupil in membership if all schools of choice Section 105 requirements have been met.
    - ii. The pupil was a resident of another district within an ISD that is contiguous to the educating district’s ISD. The local district may only count this pupil in membership if all Schools of Choice Section 105c requirements have been 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. A school-age pupil who resided in the same household as the applicant pupil had already been enrolled and attended under Section 105 or 105c. The pupil may be given enrollment preference under this section.
  - b. A local school district that enrolled a special education pupil under a Schools of Choice Program will become that pupil’s resident district for purposes of developing and implementing an individualized education plan (IEP) and is responsible for the education of and providing (or arranging for the provision of) services for the pupil.

Section 105c (contiguous) contains an additional requirement that the choice district shall enter into a written cooperative agreement with the special education pupil's resident district as to the payment of added costs associated with the pupil's programs and as to how services will be handled. The written agreement shall address how the agreement shall be amended in the event of significant changes in the costs or level of special education programs or services required by the pupil.

If a nonresident pupil was enrolled under Section 105c, Schools of Choice, and that pupil subsequently is determined eligible for special education services, the district must enter into a written cooperative agreement with the special education pupil's resident district as to the payment of added costs for programs and services.

If it is determined that a pupil was eligible for special education services prior to the pupil being enrolled under Section 105c by the district for the first time, and the district and resident district failed to reach a written agreement regarding the coverage of added costs of special education programs and services for the pupil, the pupil shall not be enrolled.

- c. A local school district may enroll and count in membership a nonresident pupil as a parent-paid tuition pupil in those buildings or programs that are not designated as choice programs or it may enroll and count in membership a nonresident pupil in a choice program after the specific deadlines have passed. To count the pupil in membership, approval from the resident district must be obtained. This pupil is not considered a schools of choice pupil.
  - d. A district shall continue to allow a schools of choice pupil who was enrolled and in attendance in the district until the pupil graduates from high school, even if the pupil subsequently changed resident districts, if the pupil continued to be a resident of Michigan. This does not prohibit a district from expelling a pupil for disciplinary reasons.
  - e. The district must have abided by specific timelines and complied with specific criteria in the application and selection process. A district found to be in noncompliance with the statutes established under Sections 105 or 105c of the State School Aid Act is subject to forfeiture of 5% of the district's entire state school aid for the year in question.
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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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's IEP was on file and effective as of the count day.
    - ii. The pupil was enrolled and receiving instruction on or before the count day.
    - iii. The pupil was enrolled in a bona fide program as described in the Pupil Accounting Manual on or before the count day.
    - iv. The FTE was calculated by determining the number of instructional hours scheduled and provided and dividing that number by 450. Pupils enrolled in programs that do not meet the minimum 144 days and 360 hours required by the rule are ineligible to be counted for membership purposes unless the programs are approved in the ISD plan.
    - v. For a pupil who was five years of age, attended kindergarten, and had an IEP, the membership was split equitably between special education and general education.
  - b. For pupils educated under Administrative Rule 340.1755 (Special Education services):
    - i. The pupil's IEP or IFSP for Michigan Special Education eligible pupils was on file and effective as of the count day.
    - 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. The pupil was scheduled for a minimum of 72 hours during the school year and documentation is available that such services were provided. Pupils not receiving the minimum 72 hours of services within one school year are ineligible to be counted for membership purposes.



- iv. The pupil's IEP identified Rule 340.1755 services, including the frequency, duration, and location of the services.
  - v. For pupils receiving services from related staff, there was documentation that the related staff worked under the educational direction of an approved or endorsed early childhood special education teacher.
  - vi. FTE was calculated by determining the number of instructional hours scheduled and provided and dividing that number by 180.
- c. For pupils educated under Administrative Rule 340.1862 Individualized Family Service Plan (IFSP):
- i. The pupil's IFSP was on file and effective as of the count day.
  - 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. The pupil was scheduled for a minimum of 72 hours during one calendar year and documentation is available showing that services were provided.
    - 1. Documentation includes evidence of services provided to date and a schedule or plan for the delivery of services for the remainder of the calendar year.
    - 2. If the plan for services is altered for the summer months, a detailed description of the altered schedule must be provided.
  - iv. The pupil's IFSP identified Rule 340.1862 services, complete with the frequency, duration, and location of the services and it indicated the child was eligible for Michigan mandatory special education.
  - v. For pupils receiving services from related services staff, there is documentation showing that the related staff worked under the educational direction of an approved or endorsed early childhood special education teacher.
  - vi. FTE was calculated by determining the number of instructional hours scheduled and provided and dividing that number by 180.
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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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, membership for pupils receiving Work Activity Center Services must also be based on the following:
    - i. The activities in which the pupil engaged for the deviated wage portion of his or her work activity center services were incidental to the instructional program (i.e., less than 50% of the pupil's school time).
    - ii. If the pupil engaged in activities where a deviated wage is paid for more than 50% of the time in a work activity center service, the time does not count toward membership, because the pupil is in the Work Activity Center primarily for therapy or employment and not for the purpose of receiving instruction. A pupil who attended school less than 50% of his or her time may only be counted for the time instruction is received under the direct supervision of a teacher.
  - d. Membership for pupils receiving transition community living experiences must be based on the following:
    - i. By the pupil membership count day, the district must have in place a training plan and training agreement with the community living experience site that set forth expectations and standards of attainment. The community living experience must align with the pupil's postsecondary goals as described in the pupil's IEP.
    - ii. The community living experiences component was approved by the local school board and contained learning objectives and standards for determining pupil progress. The learning objectives cannot be general,

such as punctuality, developing good work habits, and other general employability skills.

- iii. The community living experience must have been monitored by a designated school Special Education teacher.
  - iv. The community living experience must have been documented on the pupil's schedule and a grade or credit must be given based upon the assessment of progress towards the achievement of the pupil's school goals.
  - v. The community living experience site must have taken pupil attendance and maintained verified records of that attendance.
- e. If the pupil was enrolled and receiving special education transition services, the pupil must have satisfied the requirements found in 5-L of the PAM.
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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
4. Verify the sampled pupils satisfied the requirements of 5-N in the PAM.
  - a. 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.
  - b. The attendance record of the teacher of record showed the pupil was absent from class due to suspension. If the pupil was in attendance in another classroom, the teacher supervising that room maintained a record of the pupil's attendance.
  - c. Short-term Suspensions (10 days or less) were conducted much like an "in-house suspension," and the following occurred during the count period:
    - i. The attendance book of the teacher of record shows the pupil was absent from class due to suspension.
    - ii. The pupil was supervised by a teacher certified for the grade level, or an individual who is working under a valid substitute permit, authorization, or approval issued by the Department, with attendance taken where the pupil was served.
  - d. Membership of pupils under long-term suspensions or expulsions (up to 180 days) was prorated based on the minimum number of required hours of pupil instruction. A nonresident pupil enrolled in and attending an alternative education program who was suspended or expelled from the resident district may be counted for membership purposes without a release from the resident district. All of the following must have been satisfied in order to count a pupil in membership:
    - i. Attendance was taken where the pupil was served.

- ii. Pupil instruction was provided by a grade-level certified teacher, or an individual who is appropriately placed under a valid certificate, substitute permit, authorization, or approval issued by the Department.
  - iii. Instruction was academic in nature and led to credit toward grade progression or a high school diploma.
- e. A pupil who has been permanently expelled from the district pursuant to Section 1311(2) or Section 1311a of the Revised School Code (State Mandated Expulsions) is expelled from all public school districts in Michigan. A district that operates an alternative education program appropriate for such a student may enroll the pupil without the resident district's approval. The alternative education program operated for suspended or expelled pupils must ensure that these pupils are separated from the general population at all times during the school day. The suspended or expelled pupil must petition for reinstatement prior to enrolling in an alternative education program that is not specific for suspended or expelled pupils. If there is no available alternative education program through the resident district, an expelled pupil may enroll in an adult education program. Another possible option may be a virtual learning program. Options available to an expelling district include the following:
  - i. The expelling district may enroll a pupil in an alternative education program through a cooperative agreement with an intermediate school district or with another local school district. The FTE for such a pupil 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 expelling district may provide the pupil who has been permanently expelled under Section 1131(2) or Section 1311a with two (2) one-hour nonconsecutive individualized instructional periods per week following the home-based procedures and count that pupil for a full membership. The expelling district may provide the pupil with instruction in the pupil's home, at a site off school campus such as the local library, or at a site on campus where no other pupil from the general population will encounter the expelled pupil during the regular school day.

In order to count a pupil under either option above the district must ensure that the following occur:

- i. The pupil was enrolled in the district for the purpose of receiving instruction.
- ii. The district worked with the pupil to develop an instruction plan for self-study.
- iii. The district provided the textbooks and other instructional materials.
- iv. A minimum of two nonconsecutive hours of direct pupil instruction per week.

A pupil provided a minimum of two nonconsecutive hours per week of individualized instruction who was suspended or expelled under local school board policy is a prorated FTE with the pro-ration based on the number of hours of instruction the district provides to the pupil divided by the minimum number of hours required for full-time equated membership.

A pupil who received no instruction while suspended but who was enrolled and in attendance in a district, an intermediate school district, or a public school academy before the pupil membership count day or supplemental count day of a particular year but was expelled or suspended on the pupil membership count day or supplemental count day shall only be counted in membership if the pupil resumed attendance in the district, intermediate school district, or public school academy within 45 days after the pupil membership count day or supplemental count day of that particular year (MCL 380.1606(8)).

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-A: DISTANCE LEARNING AND INDEPENDENT STUDIES

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

### 5-O-A AUDIT STEPS

1. Obtain the list of pupils participating in 5-O-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 audit steps for "All Populations" for sampled pupils.
4. Verify the sampled pupils satisfied the requirements of 5-O-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 academic in nature and 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. If the course was an 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 Pupil Accounting Manual (PAM) provides detailed guidance on the requirements for the [5-O-B population](#). See link for the membership requirements subject to audit.

### 5-O-B AUDIT STEPS

1. Obtain the list of pupils participating in 5-O-B, offline seat time waiver 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 audit steps for "All Populations" for sampled pupils.
4. Verify the sampled pupils satisfied the requirements of 5-O-B 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 as described in the PAM.
  - b. The pupil was enrolled in the course on count day and the course title (as published in the course catalog or list) or board-approved course name was reflected on the pupil's class schedule and transcript.
  - 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, employed by the district, was assigned to the pupil.
  - e. The participation requirement was satisfied for membership purposes. The method for determining participation was identified in the district's seat-time waiver implementation plan and the ISD pupil membership auditor agreed to the method.
  - f. In the calculation of membership, each course counted as one class on the pupil's class schedule and generated that portion of an FTE membership that a comparable on-site course offered by the district would've generated unless the course was determined to provide less instructional time, in which case the FTE would be prorated according to the number of instructional hours provided.
  - g. Each pupil had a course-specific class schedule that included each enrolled course with the actual course name at the time of the count.

Note: Every pupil under a seat time waiver, including a sequential learner, must have had a class schedule that reflects all courses in which the pupil was enrolled and attempted during the semester. The class schedule should be used to determine the amount of FTE for the pupil. In addition, the district must have provided proof of payment for each course included, if applicable, in the pupil's class schedule to the pupil membership auditor. If the pupil was taking more than two courses, an education development plan (EDP) must have been used to document the expected attempt dates for all scheduled courses.

- h. Seat-time waiver participants met the requirements defined for specific programs or course types in which they were enrolled, including those in legislation, administrative rules, and the Pupil Accounting Manual.
  - i. A district may choose not to offer a seat time waiver program or to place greater restrictions on its pupils or on the courses offered. This is the local school board's prerogative.
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-C: CYBER SCHOOLS

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

### 5-O-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 audit steps for "All Populations" for sampled pupils.
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). Under Section 6(4)(h) of the State School Aid Act (MCL 388.1606(4)(h)), a pupil's participation in the cyber school's educational program is considered regular daily attendance and can be considered membership.
  - 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. If absent on count day, the pupil must attend and participate in **the course(s) in which the pupil was absent** during the next 10 consecutive school days if the absence was unexcused, or during the next 30 calendar days if the absence was excused.
  - d. For a pupil who is not learning sequentially, 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 for one course per week for each of the four week count period. Two-way interactions must have been relevant to the course progress or course content of one of the courses on the pupil's schedule.  
-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.

**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.**

Note: For pupils using sequential learning, "each scheduled course" refers to the courses currently being attempted by the pupil, rather than every course on the pupil's schedule for the entire term. The district must provide proof of payment for each course included on the pupil's class schedule to the pupil membership auditor.

- 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 Pupil Accounting Manual (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 persons 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 should be periodically visited by the ISD 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 audit steps for "All Populations" for sampled pupils.
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.
  - 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. The mentor's contact information was given to the course provider.
  - 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 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 by the district. Courses that offer less instruction than comparable courses must have their FTE prorated. Enrollment in one or more virtual courses shall not result in a pupil being counted for more than 1.0 FTE.
  - h. **The majority of the curriculum is delivered using the internet or through a digital learning environment.**
  - 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, 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 on-site, face-to-face with the teacher of record.
6. Determine and evaluate the audit error rate using the Sample Summary & Analysis, [Appendix F](#).
7. 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.
8. Issue any general or specific findings if necessary, including any FTE deductions.

Note:

- 1. A pupil who enrolls in a virtual course under this section is not required to maintain regular daily physical attendance in a concurrent course.
- 2. Where two-way interactions are not being used for participation purposes, if a pupil is absent from or does not participate in one or more courses under this section on count day, the pupil must attend and participate in each class during the next 10 consecutive school days if the absence was unexcused, or during the next 30 calendar days if the absence was excused; membership will be prorated if the participation requirement was not met for a course.

3. For pupils using sequential learning, “each scheduled course” refers to the courses currently being attempted by the pupil, rather than every course on the pupil's schedule for the entire term. The district must provide proof of payment for each course included on the pupil’s class schedule to the pupil membership auditor. If the pupil is taking more than 2 virtual courses, the district, in collaboration with the pupil and following the Department guidance found here, must create an educational development plan (EDP) that reflects the expected attempt dates for all schedule courses.
4. Synchronous Instruction is often referred to as live or real-time instruction. It is the simultaneous participation in a virtual course by the pupil and teacher, such as providing live instruction through a virtual application like Skype. This type of instruction may place the pupil and teacher in locations separate from each other.
5. If a pupil who is enrolled under this section exits the district prior to the end of the count period, but enrolls in another district, the district may retain the pupil in membership if the participation requirement was satisfied for the week(s) of the pupil’s enrollment; otherwise, the membership must be prorated by 25% of the total FTE claim that relates to the virtual enrollment for each missed week of two-way interaction. For a pupil who remained in the district during the entire count period who was 100% virtual, the membership will be prorated on the weeks of two-way interaction completed out of a possible 4 week; each week missed will be prorated by 25% of the total FTE claimed.  
(Example 1: A 100% virtual pupil who was claimed for 1.0 FTE would be prorated 0.25 FTE for each week missed).  
(Example 2: A pupil with 1 virtual course in a district where 6 courses is considered full-time would be prorated 0.04 FTE for each week missed).
6. For a pupil who transitions from an online environment where weekly two-way interactions are required, to a seated environment where regular attendance is required, physical attendance in scheduled courses may be considered when determining if this requirement is satisfied.
7. For pupils transitioning from a virtual environment to homebound or hospitalized services, or to home-based instruction, the participation requirements of the applicable section begins at the point of transition in the program.
8. If a school break is scheduled during the count period and is 4 days or longer, or if instruction has been canceled district-wide 3 school days or longer, the requirement for weekly two-way interaction does not apply for that week (a week is considered Wednesday through Tuesday as illustrated below).
9. For a pupil who was enrolled and in attendance prior to count day, is absent on count day and then transitions into a virtual environment following, the district will then have the pupil complete an activity in each course during the 10/30-day window for membership purposes. If the district chooses to use two-way interactions to demonstrate participation, the membership would be prorated by 25% of the membership claimed for each week where a two-way transaction did not occur.



- j. 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:
  - i. The district determined that such enrollment was in the best interest of the pupil.
  - ii. The pupil agreed with the recommendation of the district.
  - iii. Except for a pupil enrolled under Section 166b of the State School Aid Act, the district developed an educational development plan (EDP) with the pupil following the Department guidance. For pupils in grades K-6, the plan should include the following items:
    - 1. The pupil's preferred learning style.
    - 2. The pupil's interests.
    - 3. Areas of academic development.
    - 4. Areas of personal/social development.
    - 5. A timeline and measures for the development of the above items.
    - 6. Postsecondary and career goals as applicable.

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

The Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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. The pupil was enrolled in grades 9-12.
  - c. If the pupil engaged in an internship or work experience qualifying for credit under this section that was determined to be academically appropriate by the board or board of directors, or its designee. If the pupil's parent or legal guardian granted permission, the board or board of directors, or its designee, must ensure that the pupil was excused from at least 1 period of instructional time during each day that the pupil attended the internship or work experience, as determined appropriate by the board or board of directors, or its designee. If the experience causes the pupil to receive less than full-time instructional hours, the membership must not be prorated.
  - d. For general education non-CTE Work-Based Learning, a professional employee of the district conducted site visits once every nine weeks. For special education non-CTE Work-Based Learning, a professional employee of the district conducted site visits once every 30 days. For CTE Work-Based Learning, a vocationally certified teacher/coordinator conducts site visits every nine weeks.
  - e. The board or board of directors, or its designee, exercised oversight of the pupil's internship or work experience as necessary to ensure that the pupil met the requirements under this section.
  - f. The pupil was eligible to receive credit toward a high school diploma for the experience.

- g. The pupil attended the internship or work experience at least 4 hours per week for the same number of weeks as are necessary to earn credit in a traditional course in that school district or public school academy. The school board or board of directors, or its designee, must not require a pupil to attend the internship or work experience more than 10 hours per week.
  - h. The experience did not generate more than one-half of the pupil's membership up to 0.5 FTE.
  - i. The district had a written training agreement and training plan in place by the count date.
  - 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. If an employer has received a "Notice of Exclusion" from the Workers Compensation Agency, and the district is in receipt of a copy of the exclusion, the employer would not be required to provide this coverage for the pupil. 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.  
If the pupil membership auditor finds that components of the training agreement or training plan are incomplete, a general finding will be issued and the Department will be notified. There is no FTE impact.
  - o. The pupil has class periods designated as work-based learning on the class schedule.
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-A: SECTION 23a DROPOUT RECOVERY PROGRAM

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

### 5-Q-A AUDIT STEPS

1. Obtain the list of pupils participating in 5-Q-A, dropout recovery 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. Verify the pupil was counted as 1/12 of an FTE for each month the district operated the program, and the pupil was enrolled in the dropout recovery program and in full attendance. **The pupil should not be claimed for regular FTE and 23a in the same month.**
4. Verify the sampled pupils satisfied the requirements of 5-Q-A 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. All of the following apply to the advocate:
    - i. An advocate may serve in that role for more than one pupil but no more than 50 pupils.
    - ii. An advocate may be employed by the district or may be provided by an education management organization that is partnering with the district.
    - iii. Before an individual was assigned to be an advocate, the district complied with §1230 and §1230a of the Revised School Code with respect to that individual.

- e. The program developed a written personalized learning plan that was in place on or before the first school day of the month for the first month the pupil participated in the program.
  - f. The program monitored the pupil's progress against the written learning plan.
  - g. The program required each pupil to make satisfactory monthly progress. **The auditor should not determine satisfactory monthly progress but should ensure the district has determined if the pupil met satisfactory monthly progress as defined by the district and MCL 388.1623a.**
  - h. The program reported the pupil's progress results to the partner district at least monthly.
  - i. The program was operated on or off a district school campus. The program may be operated using distance learning online only if the program provided a computer and Internet access for each eligible pupil participating in the program.
  - j. The program was operated throughout the entire calendar year (12-month program).
  - k. If the district partnered with an education management organization, the organization had a dropout recovery program partnership relationship with at least one other district.
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-B: SECTION 25e PUPIL MEMBERSHIP TRANSFERS

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

### 5-Q-B AUDIT STEPS

1. Complete the audit steps for "All Populations."
2. Verify the pupil was claimed on the membership count day.
3. Verify the pupil transfer occurred between the pupil membership count day and supplemental count day of the current school year.
4. Verify the request for the membership transfer under Section 25e was submitted not more than 30 days after the pupil enrolled. An SRM submission that does not conform to this requirement is denied.
5. Before the spring count date, review all incoming Section 25e requests to the Center for Educational Performance and Information's Student Record Maintenance (SRM) and obtain documentation required to process the requests.
6. Review the enrollment form.
7. Verify the "First Day in Attendance" characteristic was based on the submitted attendance form.
8. If the above criteria were met, approve the request. If the above criteria was not met, the request should be denied. The appropriate FTE adjustments will be applied to the gaining/losing districts' audit forms (DS4061 or DS4120) and audit narrative.

## 5-Q-C VISA PROGRAM PUPILS

The Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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 such as a General Educational Development (GED) in the United States and has not received an equivalent credential in his or her home country.
  - b. The pupil meets the age of enrollment requirements established by the State School Aid Act, MCL 388.1606 (4)(I), and the age and identity have been verified in accordance with the Revised School Code (MCL 380.1135).
  - 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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
4. Verify the sampled pupils satisfied the requirements of 6-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 the teacher of record who provided the instruction.
  - b. The pupil was enrolled in grades 9 to 12.
  - c. The course is a combination of instruction and direct experience.
  - d. 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.
  - e. 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.
  - f. Attendance was taken and documented for both the classroom instruction and the direct experience components of the course.
  - g. The course (including the direct experience), the curriculum, and the learning objectives were approved by the local school district board.
  - h. The board-approved curriculum and course had identifiable content standards and expectations specific to the direct experience and were progressive in nature.
  - i. The learning objectives were not general employability skills, such as punctuality and developing good work habits, but related to skills specific to the direct experience.
  - j. The experiential learning course was not used as the sole course requirement for eligibility to participate in dual enrollment.
  - k. The pupil was limited to one experiential learning course per semester.
  - l. The pupil did not replace an employee when engaging in the direct experience component of the course.
  - m. The pupil had an educational development plan (EDP) in place.



- n. The experiential learning must be identified as an actual course name on the student schedule rather than using a placeholder. 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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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 Pupil Accounting Manual (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 audit steps for "All Populations" for sampled pupils.
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. Instructional objectives were established by the teacher and support Future PME Explore curricular content.
  - f. Pupil was provided a course syllabus.
  - g. The course was a combination of instruction and clinical experience.
  - h. The pupil did not replace an employee when engaging in the direct experience component of the course.
  - i. 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 two 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, the October 2020 and February 2021 narratives are due on November 1, 2021. 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 evidence satisfactory to the Department 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 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, the pupil membership auditor or the CPA may adjust a pupil membership count in accordance with statutes, administrative rules, the Pupil Accounting Manual (PAM), the Pupil Membership Auditing Manual (PMAM), and Department policies. A district may request informal agency review of an adverse ISD or CPA audit adjustment as described below.

1. A district may file a written request for 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 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 pupil membership auditor or the CPA. The district sends the request for informal agency review by email to:
  - a. [MDE-SuperintendentAppeals@michigan.gov](mailto:MDE-SuperintendentAppeals@michigan.gov) or by mail to: State Superintendent, Michigan Department of Education, 608 W. Allegan Street, PO Box 30008, Lansing MI 48909.
2. The district provides a copy of the request for informal agency review to the pupil membership auditor or the CPA.
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 representatives 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, direct further investigation by the 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 pupil membership 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 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 Pupil Accounting Manual, the Pupil Membership Auditing Manual (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 B.

MDE has transitioned to the use of electronic auditing. All ISDs selected for QCRs will be required to provide their audit workpapers electronically to the Department using a File Transfer Service. 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.

### **A. Quality Control Review**

1. The Department’s Office of Financial Management plans QCRs on a three-year schedule for all ISDs and CPAs that conduct pupil membership audits of school districts. The Department may revise the schedule in its discretion based on reasons that include, but are not limited to, the following:
  - a. A pupil membership auditor or a CPA requests a QCR outside the three-year schedule.
  - 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 2022	Year 2023	Year 2024	Year 2025
Bay-Arenac ISD	Alcona-Montmorency-Alpena ESD	Allegan Area ESA	Berrien RESA
Berrien RESA	Barry ISD	Bay-Arenac ISD	Calhoun ISD
Charlevoix-Emmet ISD	Branch ISD	Charlevoix-Emmet ISD	Clinton County RESA
Clinton County RESA	Clare-Gladwin RESD	Cheboygan-Otsego-Presque Isle ESD	Gratiot-Isabella RESD
C.O.O.R. ISD	Copper Country ISD	C.O.O.R. ISD	Hodges Accounting
Genesee ISD	Dickinson-Iron ISD	Delta-Schoolcraft ISD	Ingham ISD
Huron ISD	Gogebic-Ontonagon ISD	Eastern UP ISD	Iosco RESA
Ionia County ISD	Ionia ISD	Eaton RESA	Livingston ESA
Iosco RESA	Kalamazoo RESA	Genesee ISD	Midland ESA
Lewis-Cass ISD	Lenawee ISD	Heritage Southwest ISD	Monroe County ISD
Livingston ESA	Macomb ISD	Hillsdale ISD	Montcalm Area ISD
Manistee ISD	Marquette-Alger RESA	Huron ISD	Northwest Education Services
Monroe County ISD	Menominee ISD	Jackson ISD	Oakland Schools
Montcalm Area ISD	Muskegon Area ISD	Kent ISD	Ottawa Area ISD
Oakland Schools	Newaygo RESA	Lapeer ISD	Saginaw ISD
Ottawa Area ISD	West Shore ESD	Manistee ISD	Shiawassee RESD
Saginaw ISD	Wexford-Missaukee	Mecosta-Osceola ISD	St. Clair County RESA
Sanilac ISD		Sanilac ISD	Tuscola ISD
Shiawassee RESD		St. Joseph ISD	Washtenaw ISD
St. Clair County RESA		Van Buren ISD	Wayne RESA
St. Joseph ISD			
Northwest Education Services			
Tuscola ISD			
Van Buren ISD			
Washtenaw ISD			
Wayne RESA			

3. The Department determines which districts it will review in a QCR based on a combination of risk factors and the field audits conducted by the pupil membership auditor or the CPA. The Department chooses a minimum of two districts for each QCR, taking into consideration whether a program is of high risk, 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 pupil membership auditor or the CPA, the individual who conducts the Department's QCR determines whether an audit adjustment is warranted under applicable statutes, administrative rules, the Pupil Accounting Manual, the PMAM, and Department policies. The QCR findings identify memberships in dispute and explain membership adjustments.
5. The individual who conducts the Department's QCR presents to the Department audit manager all materials considered by that individual and the proposed QCR findings.
6. In the exercise of discretion, the audit manager may consult with and request additional documents from the selected districts and the pupil membership auditor or the CPA, direct further investigation by the pupil membership auditor or the CPA and by the individual who conducted the QCR and consult with and rely on the expertise of Department staff.
7. The audit manager approves, approves in part, or disapproves the QCR findings; notifies the districts and the pupil membership auditor or the CPA of the audit manager's decision; and, as applicable, informs the district of the 30-day timeline for requesting informal agency review.
8. The Department pupil auditor notifies the CPA who conducted the audit, if applicable, and the pupil membership auditor of the decision to make FTE adjustments. The pupil membership auditor makes the appropriate FTE adjustments in the Michigan School Data System (MSDS).

B. 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 audit manager's QCR decision with the Department 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 individual 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](mailto:MDE-SuperintendentAppeals@michigan.gov)

2. The district provides a copy of the request for informal agency review to the ISD auditor or the CPA.
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 representatives 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 selected districts, the ISD auditor or the CPA, the individual who conducted the QCR, and the audit manager; 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 MSDS is populated into the Graduation and Dropout (GAD) Application for the purpose of auditing pupil exit statuses.

## AUDITS OF ACTIVE COHORTS

ISD auditors review all submitted data on an annual basis. An annual audit ensures that ISD auditors are not auditing multiple pupil exit code changes throughout the year and ensures that there are not conflicts between auditor findings and submitted data.

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.	2019-2020 school year final dispositions are available in the GAD Application late-October for pupils in the 2018, 2019, 2020, 2021, 2022 and 2023 cohorts.
c. The GAD remains open for approximately six weeks for auditors to record findings on the six active cohorts for the audited school year.	ISDs audit 2019-2020 exit status codes reported for pupils in the 2018, 2019, 2020, 2021, 2022, and 2023 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.	Late-October to mid-December.
e. CEPI calculates graduation and dropout rates based on pupils' dispositions after the audit is completed.	Mid-December through mid-January.
f. Auditors may remove findings if districts provide them with the appropriate documentation during the six-week audit period.	Late-October to mid-December.
g. CEPI calculates 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 12<sup>th</sup> 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

<b>Exit Status</b>	<b>Definition</b>	<b>Allowable Documentation</b>
01, 02, 03, 04, 05, 06, 20, 21, 40, 41	Graduated or completed	<ul style="list-style-type: none"> <li>• Official transcript or diploma.</li> <li>• 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.</li> <li>• Exit Status 40 requires a high school transcript and documented proof of a MEMCA certificate or another advanced certificate or 60 transferable credit hours.</li> </ul>
09	Moved out of state	<ul style="list-style-type: none"> <li>• Request for pupil records from a receiving public or private high school or an educational program that culminates in a regular high school diploma.</li> <li>• Written record of a response from an official in the receiving school or program acknowledging the pupil's enrollment.</li> <li>• For migrant pupils, documentation of pupil's out-of-state enrollment in the federal Migrant Student Information Exchange (MSIX).</li> <li>• 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.</li> </ul>
12	Deceased	<ul style="list-style-type: none"> <li>• Confirmation from pupil management software that the pupil is listed as deceased in the software.</li> <li>• Obituary, other newspaper article.</li> <li>• Program from the funeral/memorial service.</li> <li>• Written statement from the parent or guardian.</li> <li>• Death certificate.</li> </ul>
14	Enrolled in home school	<ul style="list-style-type: none"> <li>• Written parental statement.</li> <li>• Pupil withdrawal form signed by the parent/guardian or qualified pupil indicating pupil is being homeschooled.</li> <li>• Parental record request confirming pupil is homeschooled.</li> <li>• Statement by attendance officer (truancy officer) verifying that compulsory attendance requirements are met.</li> <li>• 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.</li> </ul>
15	Enrolled in nonpublic school	<ul style="list-style-type: none"> <li>• Request for pupil records from a receiving public or private high school or an educational program that culminates in a regular high school diploma.</li> </ul>

Exit Status	Definition	Allowable Documentation
		<ul style="list-style-type: none"> <li>• Written record of a response from an official in the receiving school or program acknowledging the pupil’s enrollment.</li> <li>• 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.</li> </ul>
07, 08, 10, 11, 13, 16, 17, 18	Dropout	<ul style="list-style-type: none"> <li>• Documentation not available.</li> </ul>

## STATEMENT OF ETHICS AND INDEPENDENCE

**Auditor's Name:**

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

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

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.

<b>NAME</b>	<b>TITLE</b>	<b>LOCATION</b>	<b>PHONE</b>	<b>EMAIL ADDRESS</b>	<b>YEARS IN POSITION</b>

2. For each building/program at which the district provides instruction, complete:

<b>BUILDING/PROGRAM</b>	<b>LOCATION</b>	<b>GRADE LEVELS/ CLASS OF PUPILS</b>	<b>APPROXIMATE NUMBER OF PUPILS</b>

(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.

<b>Assessment of Risk</b>	<b>H</b>	<b>M</b>	<b>L</b>	<b>Comments</b>
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)				

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



<b>Building Risk Assessment:</b> Based on the foregoing considerations, the overall risk for this building is assessed as:	<b>High</b>	<b>Moderate</b>	<b>Low</b>
Pop III – Nonconventional pupils			

<b>Building Risk Assessment – Sample Size Percentages</b>	<b>High</b>	<b>Moderate</b>	<b>Low</b>
Pop I – Conventional pupils present on count day	<b>15%</b>	<b>10%</b>	<b>2%</b>
Pop II – Conventional pupils absent on all or part of count day	<b>20%</b>	<b>15%</b>	<b>10%</b>
Pop III – Nonconventional pupils	<b>20%</b>	<b>15%</b>	<b>10%</b>

**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.

<b>Procedure</b>	<b>Yes/ No/ NA</b>	<b>Audit Manual Pages</b>	<b>Working Paper Reference</b>	<b>Comments</b>
1. Review the Pupil Accounting Manual and audit materials, including previous audit information, calendars, and audit packets.		Pg. 18		
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. 12,18		
3. Review student alpha list for all required data.		Pg. 19		
4. Review Special Education A/B worksheets for required information. Verify the FTEs match the DS4061.		Pg. 20		

<b>Procedure</b>	<b>Yes/ No/ NA</b>	<b>Audit Manual Pages</b>	<b>Working Paper Reference</b>	<b>Comments</b>
5. Verify General Education FTEs on alpha list match the DS4061.		Pg. 19		
6. Verify nonresident FTEs on the DS4061 match the district reports.		Pg. 20		
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. 20		
8. Verify all FTE Conflicts are resolved. Report to MDE all conflicts that were not resolved.		Pg. 19		
9. Review FTE Comparison from MSDS and Add/Drop lists. Note reasons for variations.		Pg. 20		
10. Verify Early/Middle College FTEs that are more than 1.0.		Pg. 20		
11. Review the board-approved district's excused/unexcused attendance policy.		Pg. 18		
12. Review district/building course catalogs.		Pg. 18		
13. Verify Teacher Certification.		Pg. 13-15, 21		
14. Record FTE adjustments on FTE Adjustment Form and in MSDS. Make all adjustments, except teacher certification		Pg. 23		

Procedure	Yes/ No/ NA	Audit Manual Pages	Working Paper Reference	Comments
adjustments, at the student level, rather than aggregate level.				
15. Verify district reported pupils in MSDS via SRM that were added by desk audit and district provided proof of addition to auditor.		Pg. 23		
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.

<b>AUDIT PROCEDURES</b>	<b>Yes/ No/ NA</b>	<b>Audit Manual Pages</b>	<b>Working Paper Reference</b>	<b>Comments</b>
1. Complete the Building Risk Assessment.		Pg. 104-105		
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. 26,113-116		
3. Complete the Pupil Specific Audit Procedures.				
a. Pop I, II, III - verify pupil enrollment, schedule, and attendance.		Pg. 29-34		
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. 32-33		

<b>AUDIT PROCEDURES</b>	<b>Yes/ No/ NA</b>	<b>Audit Manual Pages</b>	<b>Working Paper Reference</b>	<b>Comments</b>
c. Pop III – verify each category met requirements of specific category. District determines the applicable category for nonconventional pupils.		Pg. 34		
4. Population III Categories.				
a. 5-A Alternative Education Program.		Pg. 35-36		
b. 5-B Cooperative Education Programs.		Pg. 37-38		
c. 5-C Home-Based Pupils.		Pg. 39-40		
d. 5-D Homebound/Hospitalized Pupils.		Pg. 41-42		
e. 5-E Nonpublic/Homeschool Shared Time pupils.		Pg. 43-44		
f. 5-F Part-Time Pupils.		Pg. 45-46		
g. 5-G-A Postsecondary and CTE Enrolled Pupils.		Pg. 47-48		
h. 5-G-B Early Middle College Pupils.		Pg. 49-50		
i. 5-G-C Postsecondary Gifted and Talented Programs.		Pg. 51		
j. 5-H Reduced Schedule Pupils.		Pg. 52-53		
k. 5-I Section 105 and 105c Schools of Choice.		Pg. 54-55		

<b>AUDIT PROCEDURES</b>	<b>Yes/ No/ NA</b>	<b>Audit Manual Pages</b>	<b>Working Paper Reference</b>	<b>Comments</b>
l. 5-K Special Education Early Childhood Programs & Services.		Pg. 56-57		
m. 5-L Special Education Pupil Transition Services.		Pg. 58-59		
n. 5-M Split Schedule Pupils.		Pg. 60		
o. 5-N Suspended and Expelled Pupils.		Pg. 61-63		
p. 5-O-A Distance Learning & Independent Studies.		Pg. 64-65		
q. 5-O-B Offline Seat Time Waiver Programs.		Pg. 66-67		
r. 5-O-C Cyber Schools.		Pg. 68-69		
s. 5-O-D Virtual Learning Options.		Pg. 70-73		
t. 5-P Work-Based Learning Experiences, Apprenticeships and Internships.		Pg. 74-75		
u. 5-Q-A Section 23a Dropout Recovery Program.		Pg. 76-77		
v. 5-Q-B Section 25e Pupil Membership Transfers.		Pg. 78		
w. 5-Q-C Visa Program.		Pg. 79		
x. 6-A Experiential Learning Pupils.		Pg. 80-81		
y. 6-B Peer to Peer Elective Course Credit Program.		Pg. 82		

<b>AUDIT PROCEDURES</b>	<b>Yes/ No/ NA</b>	<b>Audit Manual Pages</b>	<b>Working Paper Reference</b>	<b>Comments</b>
z. 6-C Future Proud Michigan Educator Explore Programs.		Pg. 83-84		
5. Using the Sample Summary & Analysis, determine each population error rate and document building error rate. If error rate exceeds 10%, notify MDE.		Pg. 113-116		
6. Conduct teacher and pupil accounting staff interviews.		Pg. 119-120		
7. Communicate field audit findings to the district.		Pg. 28		
8. Verify district reported pupils added by field audit in MSDS via SRM and provided proof to auditor.		Pg. 28		
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. 28, 117		

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

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

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

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

6. 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.
7. 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.
8. 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.

9. 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:

- $10\% \times 400$  population = 40 pupils
- 3 errors divided by 40 sample = 7.5% error rate
- $25\% \times 400 = 100$ ; 100 minus 40 = 60 pupils
- 2 errors in expansion and 3 errors = 5 cumulative errors
- 5 divided by 100 total sample = 5% error rate
- Because the error rate is 5%, a second expansion is needed.
- $40\% \times 400 = 160$ ; 160 minus 100 = 60 pupils
- 0 errors in expansion + 5 errors = 5 cumulative errors
- 5 divided by 160 total sample = 3.1% 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:

	<b>POP. III CATEGORIES IN BUILDING/PROGRAM</b>	<b>COUNT</b>	<b>SAMPLE SIZE</b>	<b># ERRORS</b>	<b>% ERRORS</b>
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-I	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				

	<b>POP. III CATEGORIES IN BUILDING/PROGRAM</b>	<b>COUNT</b>	<b>SAMPLE SIZE</b>	<b># ERRORS</b>	<b>% ERRORS</b>
5-P	Work-Based Learning Experiences, Apprenticeships, and Internships				
5-Q-A	Section 23a Dropout Recovery Programs				
5-Q-B	Section 25e Pupil Membership Transfers				
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	<b>General Ed Total FTE for Pupil</b>

**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	<b>Special Ed Total FTE for Pupil</b>

**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 GAD Audit.				
2. Completed the Section 25e Review.				
3. Completed Electronic Days and Clock Hours Audit.				
4. Completed the Section 23a Review, if applicable. Reported Changes to MDE.				
5. Completed Statement of Ethics and Independence Form.				
6. 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: \_\_\_\_\_ 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 MDE 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.

<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>
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 DS4061.
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.
G5	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.
G8	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

<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>
		will be distinguishable from grades, scores, and other markings.
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.

<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>
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.

<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>	<b>LEGAL REFERENCES</b>
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
S5	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

<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>	<b>LEGAL REFERENCES</b>
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.	§51a 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

<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>	<b>LEGAL REFERENCES</b>
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		

<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>	<b>LEGAL REFERENCES</b>
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

<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>	<b>LEGAL REFERENCES</b>
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 -



<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>	<b>LEGAL REFERENCES</b>
			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

<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>	<b>LEGAL REFERENCES</b>
			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
S55	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

<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>	<b>LEGAL REFERENCES</b>
			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		

<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>	<b>LEGAL REFERENCES</b>
S69	Seat Time Waiver – Attendance Requirement Not Met	Pupil did not meet the attendance requirement specified in the implementation plan.	§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.	§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.	§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.	§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

<b>NBR</b>	<b>ABBREV</b>	<b>DESCRIPTION</b>	<b>LEGAL REFERENCES</b>
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; 2Administrative 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

**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.

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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.

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

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

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

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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.

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Results

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

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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.

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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).

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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.

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

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Completed by: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_

<b><u>Acronym</u></b>	<b><u>Meaning</u></b>
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**

9/1/2022	REP	REP Fall Collection Opens
9/6/2022	FID	FID Collection Opens
9/14/2022	GAD	GAD Appeal Window Closes
9/14/2022	MSDS	SRM Coll. For Grad Rate Appeals and Section 23A Claims Closes
9/26/2022	MSDs	TSDL Migrant Collection Opens
9/26/2022	MSDS	SRM Collection Opens
9/26/2022	MSDS	MSDS Fall General Collection Opens
9/26/2022	MSDS	Early Childhood Fall Collection Opens
9/30/2022	FID	FID 4096 Collection Closes
10/3/2022	MSDS	GAD Audit Window Opens
10/5/2022	Count Day	Fall Count Day
10/7/2022	FID	FID 4094 Collection Closes
10/15/2022	STARR	STARR Collection Closes (Community Colleges, Universities and Independent Colleges)
11/1/2022	MDPI	MCCDI Collection Closes (Community Colleges)
11/1/2022	MSDS	2020-21 Audit Narrative Deadline
11/1/2022	FID	FID Collection Closes
11/9/2022	MSDS	Fall General Submission Certification Deadline
11/15/2022	MPDI	Section 222 Submission Deadline (Community Colleges)
11/16/2022	MSDS	Early Childhood Fall Collection Certification Deadline
11/16/2022	MSDS	Fall General Collection Recertification Deadline
11/16/2022	MSDS	Early Roster Collection Closes
12/1/2022	REP	REP Fall Collection Closes
12/5/2022	GAD	GAD Audit Window Closes
12/14/2022	MSDS	Early Childhood Spring Collection Opens
1/3/2023	REP	REP EOY Collection On-Demand Opens
2/1/2023	MSDS	Spring General Collection Open
2/8/2023	Count Day	Spring Count Day
2/22/2023	MSDS	Early Childhood Spring Certification Deadline

3/15/2023	MSDS	Spring General Submission Certification Deadline
3/22/2023	MSDS	Spring General Recertification Deadline
3/22/2023	MSDS	Fall Audit DS4120 Deadline
3/31/2023	REP	REP EOY Collection On-Demand Closes
4/3/2023	SID	SID EOY Collection Opens
4/3/2023	REP	REP EOY Collection Opens
4/12/2023	MSDS	Early Childhood EOP Collection Opens
5/1/2023	MSDS	TSDL General Collection Opens
5/1/2023	D/CH	Days and Clock Hours Collection Opens
5/1/2023	MSDS	EOY General Collection Opens
6/30/2023	MSDS	EOY General Collection Certification Deadline
6/30/2023	MSDS	SRM Collection Closes
6/30/2023	REP	REP EOY Collection Closes
6/30/2023	SID	SID Collection Closes
7/26/2023	MSDS	Spring Audit DS4120 Deadline
8/1/2023	D/CH	Days and Clock Hours Collection Closes
8/7/2023	GAD	GAD Appeal Window Opens
9/13/2023	GAD	GAD Appeal 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
- Nonpublic School Act, MCL 388.551- MCL 388.558
- Postsecondary Enrollment Options Act, MCL 388.511 – MCL 388.524
- Revised School Code, MCL 380.1 – MCL 380.1852
- State School Aid Act, MCL 388.1601 – MCL 388.1772
- Youth Employment Standards Act, MCL 409.101 – MCL 409.124

### **MICHIGAN ADMINISTRATIVE RULES (MICHIGAN ADMINISTRATIVE CODE)**

- Career and Technical Education Reimbursed Programs, Rule 395.231 to Rule 395.376
- Education of Pregnant Students, Rule 340.1121 and Rule 340.1122
- Postsecondary Dual Enrollment Criteria for Fifth-Year High School Pupils, Rule 388.151 to Rule 388.155
- School District Pupil Accounting for Distribution of State Aid, Rule 340.1 to Rule 340.18
- Special Education Programs and Services, Rule 340.1701 to Rule 340.1862

## **MICHIGAN DEPARTMENT OF EDUCATION PUPIL ACCOUNTING MANUAL**

Section 1: Required Documentation

Section 2: Days, Hours, and Attendance Requirements

Section 3: Pupil Membership Count Requirements

Section 4: Pupil Residency

Section 5: Nonconventional Pupils

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-I 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 Learning Options

5-P Work-Based Learning Experiences, Apprenticeships, and Internships

5-Q-A Section 23a Dropout Recovery Program

5-Q-B Section 25e Pupil Membership Transfers

Section 6-A: Experiential Learning Courses

Section 6-B: Peer-to-Peer Elective Course Credit Program

Section 6-C: Proud Michigan Educator Explore Programs

Appendix A: Glossary of Terms

Appendix B: Abbreviations/Acronyms

Appendix C: Exhibits

### **TOPICAL INDEX OF REFERENCES**

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Absence, child of member of armed services	380.1138				Interstate Compact on Educational Opportunity for Military Children, MCL 3.1041
Absence, excused		388.1606(8)	340.7(6)	1	
Absence, unexcused		388.1606(8)	340.7(6)	1	
Adjustments, state aid		388.1615(2,3,4) 388.1625e			
Adult education		388.1707			
Age, maximum		388.1606(4)(l)	340.1702	3	
Age, minimum	380.1147	388.1606(4)(l)		3	
Age, proof of	380.1135(1)			3	
Alternative education, minimum daily attendance requirement waiver		388.1701(3)(f) 388.1701(3)(g)			
Alternative education, instructional time waiver		388.1701(9)		5-A	
Alternative education, mandatory suspension/expulsion			340.2(14)	5-A	
Alternative education, membership		388.1606(4)(o) 388.1606(4)(v)		5-A	
Alternative education, nonresident		388.1606(6)(h)		5-A	
Attendance, 75%		388.1701(3)(d) to (g)		2	

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Attendance, compulsory	380.1561 <i>et seq.</i>			3	
Attendance, count day		388.1606(8)	340.2	3	
Attendance, defined			340.1(a)		
Audit, access to records for state aid eligibility		388.1768			
Audit, authority	380.1281(2)	388.1615 388.1618 388.1768			
Audit, data due dates		388.1701(2); 388.1618(5)			
Audit, frequency		388.1618(4)(a) – (b)			
Audit, pupil membership report due date		388.1618(4)(e)(iii)			
Audit narrative		388.1618(4)(e)(iii)			
Blended learning, defined		388.1698(11)(a)			
Block schedule			340.7(5)		
Calendar	380.1175 380.1284a 380.1284b	388.1760		2	
Career and technical education/Vocational education		388.1621b 388.1901 – 388.1913	340.17 R 395.231-395.376 R 388.151-388.155	5-G-A	Postsecondary Enrollment Options Act, MCL 388.511 – 388.524



Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Certificated teacher	380.1231 380.1233	388.1606(8) 388.1763	340.10(2)(a)	2	
Class, defined		388.1606(8)			
Class, not scheduled on count date			340.7(5)		
Class-by-class attendance		388.1606(8)	340.7(5)	3	
College level equivalent courses	380.1471 – 380.1474			5-G-A	
Cooperative education program, defined		388.1603(5)		5-B	
Cooperative education program, membership		388.1606(4)(n) and (t)		5-B	
Cooperative education program, travel time		388.1701(7)(d)		5-B	
Core academic curriculum	380.1278				
Core course			340.2(20)(b)		
Count date or count day, defined		388.1606(7)	340.1(b)	3	
Count day, supplemental		388.1606(15) 388.1606a	340.1(b)	3	
Course, essential and nonessential			340.2(20)	5-E	
Cyber school	380.551(2)(e) 380.553a	388.1698(11)(b) 388.1766d		5-O-C	
Data, defective or incomplete		388.1614			

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Data, pupil enrollment and attendance, due dates		388.1701			
Days and hours of instruction	380.1284	388.1701	340.10	2	
Distance learning			340.11	5-O-A	
District of residence, defined		388.1603(8)		4	
Documentation, required	380.1281(1)(c)			1	
Dropout, nonresident in alternative ed		388.1606(6)(h)(ii)		5-Q-A	
Dropout rates		388.1619			
Dropout recovery program		388.1606(4)(ff) 388.1623a 388.1701(12)		5-Q-A	

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Dual enrollment		388.1621b 388.1901 – 388.1913	340.17  R 388.151 – 388.155	5-G-A	Postsecondary Enrollment Options Act, MCL 388.511 – 388.524 Career and Technical Education Reimbursed Programs, MCL 388.1901 to 388.1913  Postsecondary Dual Enrollment Criteria for Fifth-Year High School Pupils
Due dates, pupil enrollment and attendance data		388.1701			
Early childhood			R 340.1754 – 340.1755	5-K	
Early college high school			340.1(c)	5-G-B	
Enroll/Register, defined			340.1(d)	3	
Enrollment, count day		388.1606(8)	340.2(1)	3	
Essential course			340.2(20)(b)	5-E	
Exit/Dropout/Graduation rates		388.1619			
Experiential learning			340.14	6-A	
Expulsion, attendance for FTE		388.1606(8)	340.7(6)	5-N	
Expulsion, mandatory	380.1311 380.1311a	388.1606(4)(u)	340.2(13) – (15)	5-C 5-N	

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Expulsion, nonmandatory			340.2(15)	5-N	
Expulsion, nonresident		388.1606(6)(h)(i) 388.1606(6)(k)			
Expulsion, pro rata membership		388.1606(4)(u)	340.2(15)	5-N	
Extended school year program, membership		388.1606(4)(k)			
Foreign or foreign exchange student			340.2(8)		
Foster care, membership	380.1148(2)				
FTE, maximum 1.0 per pupil		388.1606(4)(a)	340.7		
Future Proud Michigan Educator Explore Programs				6-C	<a href="https://bit.ly.FuturePME">https://bit.ly.FuturePME</a>
GED		388.1606(4)(m)			
General education/special education allocation		388.1651a			
Graduation rates		388.1619			
Graduation requirements completed, instructional time			340.10(4)		

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
High school diploma or GED, not counted in membership		388.1606(4)(m)		3	
Home schooled pupil		388.1606(6)(a) 388.1766b	340.2(20)	5-E	
Home-based	380.1311 380.1311a	388.1606(4)(u)	340.2(13) – (15)	5-C 5-N	
Homebound/Hospitalized	380.627a	388.1709	340.2(11) – (12)	5-D	
Homebound/Hospitalized, special education			340.2(12) 340.1746	5-D	Special Education Programs and Services
Homeless pupil		388.1606(4)(l)(ii) 388.1763a	340.2(19)		
Hours and days of instruction	380.1284	388.1701	340.10	2	
Identity, proof of	380.1135(1)			3	
Independent studies			340.12	5-O-A	
Instructional time, defined			340.10	2	
Instructional time, graduation requirements completed			340.10(4)	2	
Instructional time, Junior ROTC		388.1701(7)(e)	340.10(3)(a)		
Instructional time, minimum	380.1284	388.1701	340.10	2	

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Instructional time, professional development		388.1701(10)		2	
Instructional time, reduced schedule		388.1701(7)(c)		5-H	
Instructional time, travel time		388.1701(7)(d)	340.10a	5-B	
Instructional time, waiver		388.1701(9)		5-A	
Intermediate school district, employment of person trained in pupil accounting and auditing		388.1681(5)(a)			
Intermediate school district, employment of person trained in student data for graduation and dropout rates		388.1681(5)(b)			
Junior ROTC, instructional time		388.1701(7)(e)	340.10(3)(a)		
Juvenile detention facility, child caring institution		388.1606(4)(d) 388.1624			
Kindergarten, alternate schedule		388.1701(5)		2	
Kindergarten, enrollment	380.1147			3	

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Kindergarten, FTE		388.1606(4)(r)		3	
Learning lab			340.13	5-A	
Manuals		388.1618(4)(d) 388.1618(8)			
Membership, adjustment based on pupil transfer		388.1625e		5-Q-B	
Membership, alternative education		388.1606(4)(o) 388.1606(4)(v)		5-A	
Membership, approval of resident district		388.1606(4)(b)	340.2(10)	4	
Membership, class hours		388.1606(4)(q) 388.1701(3)		3	
Membership, cooperative education program		388.1606(4)(n) and (t)		5-B	
Membership, data due dates		388.1701(1)			
Membership, defined and calculated		388.1606(4) 388.1606(8)	340.2 340.7		
Membership, dropout recovery program		388.1606(4)(ff)		5-Q-A	
Membership, enrollment, count day		388.1606(8)	340.2(1)	3	
Membership, extended school year program		388.1606(4)(k)		5-Q-A	

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Membership, former pupil of closed PSA		388.1606(4)(z)			
Membership, foster care	380.1148(2)				
Membership, FTE, maximum 1.0 per pupil		388.1606(4)(a)	340.7		
Membership, fully subsidized teaching costs, not counted		388.1706			
Membership, high school diploma or GED		388.1606(4)(m)			
Membership, home-based		388.1606(4)(u)			
Membership, homeless pupil		388.1606(4)(l)(ii)(A) 388.1763a	340.2(19)	3	
Membership, kindergarten		388.1606(4)(r) 388.1701(5)		3	
Membership, Michigan schools for deaf and blind		388.1606(4)(e)			
Membership, Michigan virtual school		388.1606(6)(i)			
Membership, middle college/early college		388.1606(4)(cc)	340.7(8)	5-G-B	
Membership, move before count date		388.1606(8)	340.3(a)		



Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Membership, new grade level		388.1606(4)(s)			
Membership, nonpublic/homeschooled pupil, nonessential courses			340.2(20)	5-E	
Membership, placement in institution		388.1606(4)(d)			
Membership, postsecondary institution			340.7(7) 340.10a(4)	5-G-A	
Membership, pro rata – See Pro rata membership					
Membership, pupil counted by more than 1 district		388.1606(4)	340.2 340.7		
Membership, public school academy		388.1606(4)		3	
Membership, sparsely populated district		388.1606(4)(y)			
Membership, special education, early childhood		388.1606(4)(aa)		5-K	
Membership, special education		388.1606(4)(c)	340.2(18)	3	

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Michigan student data system, data due date		388.1618(4)(e)(iii)			
Michigan Virtual University		388.1698 388.1621f			
Michigan Virtual University, nonresident		388.1606(6)(i)			
Middle college, nonresident		388.1606(6)(l)		5-G-B	
Middle college/Early college high school, defined			340.1(c)	5-G-B	
Middle college/Early college high school, FTE		388.1606(4)(cc)	340.7(8)	5-G-B	
Missing student	380.1134				
Noncertified teacher		388.1606(8) 388.1763	340.10(2)(a)		
Nonessential course			340.2(20)	5-E	
Nonpublic/Homeschooled pupil, nonessential courses		388.1606(6)(a) 388.1766b	340.2(20)	5-E	
Nonresident pupil, alternative education		388.1606(6)(h)		4 5-A	
Nonresident pupil, foster care	380.1148(2)				

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Nonresident pupil, Michigan virtual school		388.1606(6)(i)			
Nonresident pupil, resident district approval		388.1606(4)(b) 388.1606(6) 388.1606(6)b		4	
Nonresident pupil, pilot ISD schools of choice		388.1691a			
Nonresident pupil, public school academy		388.1606(6)(c)			
Nonresident pupil, tuition	380.1401 – 380.1416	388.1711 388.1718			
Online course and online learning, defined		388.1621f 388.1698	340.1(e)	5-O-A 5-O-D	
Online courses, number allowed		388.1621f		5-O-A 5-O-D	
Online learning	380.551(2)(e) 380.553a	388.1698 388.1766d		5-O-A 5-O-C	
Online learning, expanded				5-O-D	

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601– 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Online learning, nonresident		388.1606(6)(p) 388.1621f(4)			
Parent, pupil who is	380.1301	388.1606(6)(h)(iii) R 340.1121-340.1122		5-A	
Part-time pupil, enrolled in more than 1 district		388.1606(4) 388.1606(6)(b)	340.2(4) 340.7(3)		
Part-time pupil, enrolled in part of series of classes			340.2(6)		
Part-time pupil, nonresident nonpublic		388.1606(6)(a)			
Part-time pupil, pro rata		388.1606(4)(p)	340.2 340.7	5-F	
Peer-to-peer elective				6-B	
Postsecondary dual enrollment		388.1621b 388.1901 – 388.1913	340.17  R 388.151 – 388.155	5-G-A	Postsecondary Enrollment Options Act, MCL 388.511 – 388.524 Career and Technical Education Reimbursed Programs, MCL 388.1901 to 388.1913  Postsecondary Dual Enrollment Criteria for Fifth-Year High School Pupils

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601- 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Postsecondary dual enrollment, FTE		388.1606(4)(q)	340.7(7) 340.10a(4)	5-G-A	
Postsecondary dual enrollment, records	380.1472(2)				
Postsecondary gifted and talented	380.1471-1474	388.1606	340.1 340.7	5-G-C	State Board of Education Position Statement on Free Textbooks, Materials and Charging of Fees
Pregnant pupil or pupil who is a parent, nonresident	380.1301	388.1606(6)(h)(iii)	R 340.1121 – 340.1122	5-A	Education of Pregnant Students,
Pro rata membership, absence from class in count period		388.1606(8)	340.7(5)	3	
Pro rata membership, enrolled in more than 1 district or in district and PSA		388.1606(4)(a) and (n)	340.2(3) – (5) 340.7(3)		
Pro rata membership, nonpublic/homeschooled, nonessential courses			340.2(20)	5-E	
Pro rata membership, part-time pupil		388.1606(4)(p)	340.2 340.7	5-F	
Pro rata membership, suspension or expulsion		388.1606(4)(u)	340.2(15)	5-N	
Professional development		388.1701(10)		2	

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601- 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Pupil, defined		388.1606(6)			
Pupil auditing and accounting manuals		388.1618(4)(d) 388.1618(8)			
Pupil enrollment and attendance, data due dates		388.1701			
Pupil membership count day, defined		388.1606(7)		3	
Pupil membership report, due date		388.1618(4)(e)(iii)			
Pupils in grade K to 12 actually enrolled and in regular daily attendance, defined		388.1606(8)		3	
Public school academy	380.501 – 380.507	388.1606(4) 388.1769			
Public school academy, nonresident		388.1606(6)(c)			
Record retention				1	Records Retention and Disposal Schedule for Michigan Public Schools
Records, access for audit		388.1768			
Reduced schedule		388.1701(7)(c)		5-H	
Register			340.1(d)		
Religious instruction, release for			340.2(7)		

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601-388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Repayments		388.1615(3) 388.1625e			
Residence, district of, defined		388.1603(8)	388	4	
Residence, federal land	380.1297 380.1298		340.2(16)		
Residence, foster care	380.1148				
Residence, licensed home	380.1148				
Residence, move before count date		388.1606(8)	340.3(a)	4	
Residence, parents in different school districts	380.1148a	388.1624b		4	
Residence, relative's home	380.1148			4	
Residence, requirement		388.1606(4)(b)	340.2 340.3	4	
Residence, special education			R 340.1732		Special Education Programs and Services Rule 340.1732
Residence, state institution			340.2(17)		
Residence, transfer after fall count		388.1625e			
ROTC		388.1701(7)(e)	340.10(3)(a)		

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601- 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Schools of choice		388.1705 (within ISD) 388.1705c (contiguous ISD) 388.1691a	340.4	5-I	
Schools of choice, nonresident		388.1606(6)(d) – (e)			
Schools of choice, pilot ISD program		388.1691a 388.1705b		5-J	
Schools of choice, 5% penalty		388.1705 388.1705c(20)			
Schools of excellence	380.551 – 380.561				
Seat time waiver		388.1701	340.18	5-O-B	
Section 25e Pupil membership transfers		388.1625e		5-Q-B	
Single gender school, class, or program	380.1146				
Special education, age		388.1606(4)(l)(i)	R 340.1702	5-K	Special Education Programs and Services
Special education, allocations for reimbursement		388.1651a			
Special education, early childhood, membership		388.1606(4)(aa)		5-K	



Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601-388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Special education, early childhood programs and services			R 340.1754 – 340.1755	5-K	Special Education Programs and Services Rules
Special education, GED		388.1606(4)(m)		5-L	
Special education, homebound/hospitalized			340.2(12)	5-D	
Special education, membership		388.1606(4)(c), (d), and (m) 388.1651a(8)	340.2(18)		
Special education, nonpublic/homeschooled, not core curriculum			340.2(20)(c)		
Special education, programs and services	380.1751		R 340.1733		Special Education Programs and Services
Special education, programs and services, reimbursement		388.1652 388.1653a			
Special education, pupil transition services			R 340.1733 (h)	5-L	
Special education, records	380.1711(1)(f)				
Special education, residence			R 340.1732		
Special education, schools of choice		388.1705 388.1705c	340.4(2) – (3)	5-I	

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601-388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Special education, travel time		388.1701(7)(d)			
Special education, work-site based			R 340.1733 (i)	5-L 5-P	
Split schedule				5-M	
State aid, adjustments		388.1615(3) 388.1625e			
State aid, eligibility, access to records for audit		388.1768			
State aid, forfeiture for noncompliance with instructional time requirements		388.1701			
State aid, installment payments and advance release		388.1617b			
State aid, withheld for noncompliance		388.1618(10)			
Strict discipline academy, mandatory suspension/expulsion	380.1311b <i>et seq.</i>	388.1625f	340.2(14)		
Supplemental count day		388.1606(15) 388.1606a	340.1(b)	3	
Suspension	380.1311 380.1311a	388.1606(4)(u)	340.2(13) – (15)	5-C 5-N	
Suspension, attendance for FTE		388.1606(8)	340.7(6)	5-N	

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601- 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Suspension, nonresident		388.1606(6)(h)(i)			
Suspension, pro rata membership		388.1606(4)(u)	340.2(15)	5-N	
Teacher, certification required		388.1606(8) 388.1763	340.10(2)(a)	2	
Transfer after count day, membership adjustment		388.1625e		5-Q-B	
Travel time		388.1701(7)(d)	340.10a		
Tuition, nonresident pupil	380.1401 – 380.1416	388.1711 388.1718			
Tuition, postsecondary dual enrollment		388.1621b	340.17		
Tuition, virtual learning			340.11		
Tuition pupil, defined		388.1606(16)			
Urban high school academy	380.521 – 380.529				
Virtual learning		388.1698 388.1621f	340.11	5-O-A 5-O-D	
Vocational education		388.1621b 388.1901 – 388.1913	340.17  R 395.231 – 395.376  R 388.151 – 388.155	5-G-A	Postsecondary Enrollment Options Act, MCL 388.511 – 388.524 Career and Technical Education Reimbursed Programs, Postsecondary Dual Enrollment Criteria for Fifth-Year High School Pupils,

Topic	Revised School Code MCL 380.1 – 380.1852	State School Aid Act MCL 388.1601- 388.1827	MI Admin Code (Admin Rules)	Pupil Accounting Manual §	Other
Waiver	380.1281	388.1701 388.1760	340.18		
Work-based learning experience			340.15 – 340.16 R 340.1733 (i)	5-P	