

HOUSE BILL No. 4387

March 1, 2001, Introduced by Reps. Switalski, Schauer, Bovin, Gieleghem, Wojno, Neumann, Williams, Kolb, Bogardus, Adamini and Hardman and referred to the Committee on Education.

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending sections 18 and 168 (MCL 388.1618 and 388.1768), section 18 as amended by 1999 PA 119 and section 168 as added by 1993 PA 175.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 18. (1) Except as OTHERWISE provided in ~~another sec-~~
2 ~~tion of~~ this act, each district or other entity shall apply the
3 money received by the district or entity under this act to sala-
4 ries and other compensation of teachers and other employees,
5 tuition, transportation, lighting, heating, ventilation, water
6 service, the purchase of textbooks ~~which~~ THAT are designated by
7 the board to be used in the schools under the board's charge,
8 other supplies, and any other school operating expenditures
9 defined in section 7. However, not more than 20% of the total

1 amount received by a district under article 2 or intermediate
2 district under article 8 may be transferred by the board to
3 either the capital projects fund or to the debt retirement fund
4 for debt service. The money shall not be applied or taken for a
5 purpose other than as provided in this section. The department
6 shall determine the reasonableness of expenditures and may with-
7 hold from a recipient of funds under this act the apportionment
8 otherwise due for the fiscal year following the discovery by the
9 department of a violation by the recipient.

10 (2) For the purpose of determining the reasonableness of
11 expenditures and whether a violation of this act has occurred,
12 the department shall require that each district and intermediate
13 district have an audit of the district's or intermediate
14 district's financial and pupil accounting records conducted at
15 least annually at the expense of the district or intermediate
16 district, as applicable. ~~—~~ IF A DISTRICT THAT IS A PUBLIC
17 SCHOOL ACADEMY HAS CONTRACTED FOR MANAGEMENT SERVICES OR OTHER
18 OPERATIONAL SERVICES, THE AUDIT SHALL INCLUDE RECORDS OF THE CON-
19 TRACTOR RELATING TO THE MANAGEMENT OR OPERATION OF THE PUBLIC
20 SCHOOL ACADEMY. THE AUDIT SHALL BE CONDUCTED by a certified
21 public accountant or by the intermediate district superintendent,
22 as may be required by the department, or in the case of a dis-
23 trict of the first class by a certified public accountant, the
24 intermediate superintendent, or the auditor general of the city.
25 An intermediate district's annual financial audit shall be accom-
26 panied by the intermediate district's pupil accounting procedures
27 report. A district's or intermediate district's annual financial

1 audit shall include an analysis of the financial and pupil
2 accounting data used as the basis for distribution of state
3 school aid. The pupil accounting records and reports, audits,
4 and management letters are subject to requirements established in
5 the auditing and accounting manuals approved and published by the
6 department. Except as otherwise provided in this subsection, a
7 district shall file the annual financial audit reports with the
8 intermediate district not later than 120 days after the end of
9 each school fiscal year and the intermediate district shall for-
10 ward the annual financial audit reports for ~~its constituent~~
11 districts LOCATED WITHIN THE INTERMEDIATE DISTRICT and for the
12 intermediate district, and the pupil accounting procedures report
13 for the pupil membership count day and supplemental count day, to
14 the department not later than November 15 of each year. The
15 annual financial audit reports and pupil accounting procedures
16 reports shall be available to the public in compliance with the
17 freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.
18 Not later than December 1 of each year, the department shall
19 notify the state budget director and the legislative appropria-
20 tions subcommittees responsible for review of the school aid
21 budget of districts and intermediate districts that have not
22 filed an annual financial audit and pupil accounting procedures
23 report required under this section for the school year ending in
24 the immediately preceding fiscal year.

25 (3) Each district and intermediate district shall file with
26 the department by November 15 of each year an annual
27 comprehensive financial report, known as "Form B", on a form and

1 in the manner prescribed by the department. IF A DISTRICT THAT
2 IS A PUBLIC SCHOOL ACADEMY HAS CONTRACTED FOR MANAGEMENT SERVICES
3 OR OTHER OPERATIONAL SERVICES, THIS ANNUAL COMPREHENSIVE FINAN-
4 CIAL REPORT SHALL INCLUDE INFORMATION ON THE SERVICES PERFORMED
5 BY THE CONTRACTOR AND ON EXPENDITURES FOR THOSE SERVICES.

6 (4) Not later than July 1, 1999, the department shall
7 approve and publish pupil accounting and pupil auditing manuals.
8 The department shall review those manuals at least annually and
9 shall periodically update those manuals to reflect changes in
10 this act. The pupil accounting manuals in effect for the 1996-97
11 school year, including subsequent revisions issued by the super-
12 intendent, shall be the interim manuals in effect until new manu-
13 als are approved and published. However, the clarification of
14 class-by-class accounting provided in the department's April 15,
15 1998 memorandum on pupil accounting procedures shall be excluded
16 from the interim manuals.

17 (5) If a district that is a public school academy purchases
18 property using money received under this act, the public school
19 academy shall retain ownership of the property unless the public
20 school academy sells the property at fair market value.

21 (6) If a district or intermediate district does not comply
22 with subsection (2) or (3), the department shall withhold all
23 state school aid due to the district or intermediate district
24 under this act, beginning with the next payment due to the dis-
25 trict or intermediate district, until the district or intermedi-
26 ate district complies with subsections (2) and (3). If the
27 district or intermediate district does not comply with

1 subsections (2) and (3) by the end of the fiscal year, the
2 district or intermediate district forfeits the amount withheld.

3 Sec. 168. (1) In order to receive funds under this act, a
4 district, intermediate district, grant recipient, contractor, or
5 other entity that directly or indirectly receives funds under
6 this act shall allow access for the department or the
7 department's designee to audit all records related to a program
8 for which it receives such funds. The district, intermediate
9 district, grant recipient, contractor, or other entity shall
10 reimburse the state for all disallowances found in the audit.

11 (2) AS USED IN THIS SECTION, "CONTRACTOR" INCLUDES, BUT IS
12 NOT LIMITED TO, A CONTRACTOR WITH WHICH A DISTRICT THAT IS A
13 PUBLIC SCHOOL ACADEMY CONTRACTS FOR MANAGEMENT SERVICES OR OTHER
14 OPERATIONAL SERVICES.