

Whitehall District Schools
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**
Financial Report and
Independent Auditor's Reports
June 30, 2019



Whitehall District Schools

C O N T E N T S

FINANCIAL REPORT AND INDEPENDENT AUDITOR’S REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Whitehall District Schools
Whitehall, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitehall District Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Whitehall District Schools' basic financial statements, and have issued our report thereon dated October 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Whitehall District Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Whitehall District Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Whitehall District Schools' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Education
Whitehall Public Schools
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whitehall District Schools’ financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Muskegon, Michigan
October 7, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Whitehall District Schools
Whitehall, Michigan

Report on Compliance for Each Major Federal Program

We have audited Whitehall District Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Whitehall District Schools' major federal programs for the year ended June 30, 2019. Whitehall District Schools' major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Responses.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Whitehall District Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Whitehall District Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Whitehall District Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Whitehall District Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Board of Education
Whitehall District Schools
Page 2

Report on Internal Control Over Compliance

Management of Whitehall District Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Whitehall District Schools’ internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Whitehall District Schools’ internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency.

Whitehall District Schools’ response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Whitehall District Schools’ response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Board of Education
Whitehall District Schools
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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitehall District Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Whitehall District Schools' basic financial statements. We issued our report thereon dated October 7, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Muskegon, Michigan
October 7, 2019

Whitehall District Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2019

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2018	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (unearned) revenue June 30, 2019	Passed through to subrecipients
						Prior year(s)	Current year		
<i>U.S. Department of Education</i>									
Passed through Michigan Department of Education:									
Adult Education—Basic Grants to States	84.002								
191130-191731		\$ 93,000	\$ -	\$ -	\$ 81,576	\$ -	\$ 93,000	\$ 11,424	\$ -
191190-191731		12,058	-	-	9,905	-	10,424	519	-
		105,058	-	-	91,481	-	103,424	11,943	-
Title I Grants to Local Educational Agencies	84.010								
181530-1718		330,276	18,935	-	18,935	330,276	-	-	-
191530-1819		338,878	-	-	245,751	-	271,901	26,150	-
		669,154	18,935	-	264,686	330,276	271,901	26,150	-
Supporting Effective Instruction State Grants	84.367								
180520-1718		73,688	7,391	-	7,391	73,688	-	-	-
190520-1819		96,373	-	-	70,099	-	87,155	17,056	-
		170,061	7,391	-	77,490	73,688	87,155	17,056	-
Student Support and Academic Enrichment Program	84.424								
190750-1819		19,183	-	-	19,183	-	19,183	-	-
Total passed through Michigan Department of Education		963,456	26,326	-	452,840	403,964	481,663	55,149	-
Passed through Muskegon Area Intermediate School District:									
Special Education Cluster									
Special Education—Grants to States	84.027								
180450-1718		387,214	5,669	-	5,669	381,545	-	-	-
190450-1819		403,950	-	-	378,708	-	403,950	25,242	-
		791,164	5,669	-	384,377	381,545	403,950	25,242	-
Special Education—Preschool Grants	84.173								
190460-1819		18,319	-	-	18,319	-	18,319	-	-
Total Special Education Cluster passed through Muskegon Area Intermediate School District		809,483	5,669	-	402,696	381,545	422,269	25,242	-
Total U.S. Department of Education		1,772,939	31,995	-	855,536	785,509	903,932	80,391	-

Whitehall District Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
For the year ended June 30, 2019

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2018	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (unearned) revenue June 30, 2019	Passed through to subrecipients
						Prior year(s)	Current year		
<i>U.S. Department of Agriculture</i>									
Passed through Michigan Department of Education:									
Child Nutrition Cluster									
School Breakfast Program									
181970	10.553	\$ 169,970	\$ -	\$ -	\$ 17,795	\$ 152,175	\$ 17,795	\$ -	\$ -
191970		138,965	-	-	138,965	-	138,965	-	-
		<u>308,935</u>	<u>-</u>	<u>-</u>	<u>156,760</u>	<u>152,175</u>	<u>156,760</u>	<u>-</u>	<u>-</u>
National School Lunch Program									
181960	10.555	436,009	-	-	46,908	389,101	46,908	-	-
191960		355,955	-	-	355,955	-	355,955	-	-
Entitlement commodities		72,818	-	-	72,818	-	72,818	-	-
		<u>864,782</u>	<u>-</u>	<u>-</u>	<u>475,681</u>	<u>389,101</u>	<u>475,681</u>	<u>-</u>	<u>-</u>
Total Child Nutrition Cluster		1,173,717	-	-	632,441	541,276	632,441	-	-
Child and Adult Care Food Program									
181920	10.558	26,226	385	-	2,990	23,621	2,605	-	-
191920		19,116	-	-	18,605	-	19,116	511	-
		<u>45,342</u>	<u>385</u>	<u>-</u>	<u>21,595</u>	<u>23,621</u>	<u>21,721</u>	<u>511</u>	<u>-</u>
Total passed through Michigan Department of Education		1,219,059	385	-	654,036	564,897	654,162	511	-
Passed through County of Muskegon:									
Schools and Roads—Grants to States									
	10.665	510	-	-	510	-	510	-	-
Total U.S. Department of Agriculture		1,219,569	385	-	654,546	564,897	654,672	511	-
<i>U.S. Department of Health and Human Services</i>									
Passed through Muskegon Area Intermediate School District:									
Head Start									
05CH010377-03-01	93.600	913,856	193,400	-	519,970	529,061	326,570	-	-
05CH010377-04-00		942,340	-	-	298,185	-	549,863	251,678	-
		<u>1,856,196</u>	<u>193,400</u>	<u>-</u>	<u>818,155</u>	<u>529,061</u>	<u>876,433</u>	<u>251,678</u>	<u>-</u>
Medical Assistance Program	93.778								
393		2,891	-	-	2,891	-	2,891	-	-
Total U.S. Department of Health and Human Services		1,859,087	193,400	-	821,046	529,061	879,324	251,678	-
TOTAL FEDERAL ASSISTANCE		\$ 4,851,595	\$ 225,780	\$ -	\$ 2,331,128	\$ 1,879,467	\$ 2,437,928	\$ 332,580	\$ -

The accompanying notes are an integral part of this schedule.

Whitehall District Schools
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2019

1. The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or change in net position of the School District.
2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District is not using the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
3. Management has utilized the Michigan Department of Education Cash Management System Grant Auditor Report (Grant Auditor Report) in preparing the Schedule of Expenditures of Federal Awards.
4. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2019

Governmental Funds financial statements

General Fund	\$ 907,333	
Community Education Fund	898,154	
Debt Service Fund	477,114	
Other governmental funds (includes Food Service Fund)	632,441	\$ 2,915,042

Federal subsidy on construction bonds not reported on Schedule of Expenditures of Federal Awards.		(477,114)
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Expenditures per single audit report

Schedule of Expenditures of Federal Awards		\$ 2,437,928
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Whitehall District Schools
SCHEDULE OF FINDINGS AND RESPONSES
 For the year ended June 30, 2019

SECTION I—SUMMARY OF AUDITOR’S RESULTS

A. Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

B. Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? X yes _____ none reported
2. Type of auditor’s report issued on compliance for major federal programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes _____ no
4. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program/Cluster</u>
84.027 and 84.173	U.S. Department of Education Special Education Cluster
93.600	U.S. Department of Health and Human Services Head Start
5. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
6. Auditee qualified as low-risk auditee? _____ yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

There were **no** findings reported during the single audit in relation to the financial statements for the year ended June 30, 2019.

Whitehall District Schools
SCHEDULE OF FINDINGS AND RESPONSES—Continued
For the year ended June 30, 2019

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. Department of Health and Human Services

Finding 2019-001: Head Start Review and Approval Procedures

Pass-through entity: Muskegon Area Intermediate School District

CFDA: 93.600

Award Numbers: 05CH010377-03-01 and 05CH010377-04-00

Award Year End: November 30, 2018 and November 30, 2019

Specific Requirement: Allowable Costs/Cost Principles

Criteria: Section 200.303 of the Cost Principles of the Title 2 U,S, Code of Federal Regulations Part 200, Uniform /Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a non-Federal entity to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statues, regulations, and terms and conditions of the Federal award. These internal controls should be in compliance with the specified guidance that requires proper segregation of duties by dividing key responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event. In addition, this guidance also requires transactions and internal controls to be clearly documented, and the records should be properly maintained and readily available for examination.

Questioned Costs: None

Condition: During our testing of personal activity reports, we noted that reports were timely prepared by all employees charged to the program for the entire fiscal year. In addition, all reports were reviewed by the program supervisor with documented approval, and payroll records were timely adjusted based on reports. However, despite this review, incorrect payroll allocations were charged to the Head Start program for the entire fiscal year, and payroll records were incorrectly adjusted.

Context: Of 11 employees working within the Head Start program that were required to prepare personnel activity reports, 4 employees tested did not have the proper reports for the entire fiscal year. The Director of Finance recalculated the payroll allocation for all 11 employees based on the actual time worked, and it was subsequently determined that the Head Start grants were undercharged by a small amount in total for salaries and fringe benefits for the fiscal year. The sample was not a statistically valid sample, and the matter appears to be a systemic condition.

Effect: Failure to properly prepare and review personnel activity reports could allow improper payroll expenditures to be charged to the School District's programs. As a result, the salaries and fringe benefits charged for these employees could be disallowed, or there could be missed opportunities for reimbursement.

Cause: Formulas within the personnel activity report template used by most of the Head Start program employees throughout the fiscal year incorrectly used the budgeted payroll allocation column in the report calculation instead of actual time allocations worked during the specific time periods. In addition, during the review process, the program supervisor did not recompute the calculations for accuracy, which likely would have identified the template errors.

Whitehall District Schools
SCHEDULE OF FINDINGS AND RESPONSES—Continued
For the year ended June 30, 2019

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS—Continued

Repeat Finding: This is **not** a repeat finding.

Recommendation: The School District should verify that all employees working in federal programs are using the proper personnel activity report template with accurate formulas. In addition, the School District should make sure that those reviewing the personnel activity reports have an adequate understanding of these calculations and that they are recomputed for accuracy during the review process.

Views of Responsible Officials: The School District agrees with this finding.

CLIENT DOCUMENTS



Whitehall District Schools

541 E. Slocum Street — Whitehall, MI 49461 — Telephone: 231-893-1010 — Facsimile: 231-894-6450

Business Administration

**Dr. Jerry
McDowell**
Superintendent
231-893-1005

Michelle Pulver
Administrative
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Finance &
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Director
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Roberta Goodman
Accounting
Specialist
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Doranne Kittridge
Payroll & Benefits
Specialist
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Board of Education

Chris Mahoney
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Brad Johnson
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Jimmy TenBrink
Treasurer

Penny Evert
Secretary

Shon Cook
Trustee

Tom Mallory
Trustee

Doug Ogden
Trustee

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

October 7, 2019

Michigan Department of Education
Lansing, Michigan

Whitehall District Schools respectfully advises you that there were *no* audit findings reported in our single audit report, dated October 12, 2018, for the year ended June 30, 2018.

Sincerely,

Jerry McDowell
Superintendent



Whitehall District Schools

541 E. Slocum Street — Whitehall, MI 49461 — Telephone: 231-893-1010 — Facsimile: 231-894-6450

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Treasurer

Penny Evert
Secretary

Shon Cook
Trustee

Tom Mallory
Trustee

Doug Ogden
Trustee

CORRECTIVE ACTION PLAN

October 7, 2019

Michigan Department of Education
Lansing, Michigan

Whitehall District Schools respectfully submits the following Corrective Action Plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
P.O. Box 999
Muskegon, MI 49443

Audit period: June 30, 2019

The finding from the Schedule of Findings and Responses for the year ended June 30, 2019 is discussed below. The finding is numbered consistently with the number assigned in the schedule.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were **no** findings reported during the single audit in relation to the financial statements for the year ended June 30, 2019.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. Department of Health and Human Services

Finding 2019-001: Head Start Review and Approval Procedures

Pass-through entity: Muskegon Area Intermediate School District
CFDA: 93.600

Award Numbers: 05CH010377-03-01 and 05CH010377-04-00

Award Year End: November 30, 2018 and November 30, 2019

Specific Requirement: Allowable Costs/Cost Principles

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS—Continued

Recommendation: The School District should verify that all employees working in federal programs are using the proper personnel activity report template with accurate formulas. In addition, the School District should make sure that those reviewing the personnel activity reports have an adequate understanding of these calculations and that they are recomputed for accuracy during the review process.

Action taken: The Director of Finance revised the payroll template for employees using the personnel activity report to ensure the allocations are based on work time rather than budgeted time. Affected employees have been given the revised template. The supervisor has been informed of the correct allocation method and is approving the payroll timesheets based on that correction. The Director of Finance will randomly select payrolls to verify the correction is being properly implemented.

Responsible Person and Anticipated Completion Date: The Directors of Community Education and Finance are responsible for implementation which began July 1, 2019.

If the Michigan Department of Education has questions regarding this plan, please call Jerry McDowell at (231) 893-1005.

Sincerely,



Jerry McDowell
Superintendent