

SENATE BILL No. 35

January 21, 2003, Introduced by Senator SWITALSKI 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~~
 2 ~~section of~~ this act, each district or other entity shall apply
 3 the money received by the district or entity under this act to
 4 salaries 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
7 withhold from a recipient of funds under this act the
8 apportionment otherwise due for the fiscal year following the
9 discovery by the 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**
19 **contractor 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
23 district 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
26 accompanied by the intermediate district's pupil accounting
27 procedures report. A district's or intermediate district's

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

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

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

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

1 the district or intermediate district does not comply with
2 subsections (2) and (3) by the end of the fiscal year, the
3 district or intermediate district forfeits the amount withheld.

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

12 **(2) As used in this section, "contractor" includes, but is**
13 **not limited to, a contractor with which a district that is a**
14 **public school academy contracts for management services or other**
15 **operational services.**