

## MEMORANDUM

**DATE:** June 15, 2017  
**TO:** Auditors of Idaho's Public School Districts and Charter Schools  
**FROM:** Julie Oberle, Public School Finance  
**SUBJECT:** 2016-2017 Local School Audits

This memo outlines changes from prior years as well as a few of the major areas that each auditor should be reviewing and testing during audits of Idaho's public schools.

### **What's New/Highlighted Information**

#### Staffing

The SDE recommends that auditors review and test the ISEE staffing data submitted to the SDE. This staffing data is used to calculate Salary Based Apportionment. This review should include testing of all employed staff and their corresponding assignments, and confirmation that school districts and charter schools are in compliance with SDE guidelines and State Board Rules and Regulations. Auditors should be verifying the placement of certified staff on the education and experience multiplier table and that teaching assignments have been reported correctly. The data should reflect a "snapshot in time," which is the last Friday of September, and subsequently captured in the November upload for the first reporting period. Staffing reports will be posted to the School Finance secure website soon after the July 15 payment is made. Please work with the superintendent or administrator to access these reports. If you have questions on the reporting of the staffing information, please contact Kathryn Vincen (School Finance) at (208) 332-6840 or [KLVincen@sde.idaho.gov](mailto:KLVincen@sde.idaho.gov).

#### Driver Education

The SDE driver education program director recommends that auditors review financial reports for state reimbursement funds, actual program costs, and student records, related to driver education. A dedicated driver education account will be transparent. Only eligible students may be claimed for reimbursement. Student fees must be received by the provider requesting reimbursement. The provider requesting reimbursement must retain required program records; curriculums guide, policies, student records (including driving logs), instructor records, maintenance and vehicle records. All student and teacher records will be secured and retained for a minimum of five (5) years. Any school district or charter school contracting with a driver education program valued in excess of twenty-five thousand dollars (\$25,000) in a fiscal year must procure such services in accordance with Idaho Code 67-2801 through 67-2809. All program records must comply with department instructional, statutory, and regulatory requirements. If you have any questions regarding Driver Education, please contact Audra Urie at (208) 332-6984 or [AUrie@sde.idaho.gov](mailto:AUrie@sde.idaho.gov).

#### Internet Based Expenditure Website

Idaho Code 33-357 requires that school districts and charter schools maintain a publicly available website where expenditures are posted at least monthly.

#### Coding of Tax Receipts

Please review the coding of tax receipts collected by the district for proper fund and revenue account coding.

### Distribution of Federal Dollars

All Federal dollars are distributed by the SDE on a reimbursement basis via the Grant Reimbursement Application (GRA) with the exception of child nutrition dollars, which are distributed through MyIdahoCNP. Child nutrition dollars should be deposited to Fund 290.

### Clarification on Coding of Lottery Funds

Lottery funds should be coded to the 437000-Lottery revenue code and expended on facilities maintenance.

### Summary of (State) Payment made as of July 15, 2017

A summary worksheet will be posted to the SDE website (after July 15) at <http://www.sde.idaho.gov/finance/> under Financial Information in both the Auditor Information and IFARMS sections.

Currently, a summary of state payments through May 15, 2017 is available in the Financial Audits section of the SDE website.

### Stars Single Audit Report

The Division of Financial Management (DFM) facilitates the tracking of total federal dollars paid to sub-recipients by all state agencies and makes this information available to the public through the annual STARS Single Audit Report, which is typically available in mid- to late August for the prior fiscal year. The SDE has received many requests asking for this information to be made available sooner. While we do not prepare the report and do not control the timeline for when it is available, the SDE will again ask DFM to send us a draft version of the report on August 1. If you would like a copy of this report emailed to you (assuming we do receive a draft version of the report), please contact Julie Oberle (School Finance) at (208) 332-6840 or [JAOberle@sde.idaho.gov](mailto:JAOberle@sde.idaho.gov) in early August.

### Medicaid and Maintenance of Effort

It frequently comes to our attention that Medicaid reimbursable expenditures and revenues are not correctly accounted for as they relate to LEA Maintenance of Effort under IDEA. 34 CFR §300.203 states that LEAs may not consider, for MOE purposes, any expenditures made from funds for which there is federal accountability. Pay close attention to how these types of expenditures are being accounted for and ensure that only the net amount of the expenditures less any Medicaid reimbursement is being included in the function/program codes that are examined for MOE purposes. If you have any questions, please contact Anthony Mukuna (Special Education) at (208) 332-6916 or [AMukuna@sde.idaho.gov](mailto:AMukuna@sde.idaho.gov).

### Time and Effort Reporting

One of the most common questioned costs in audits of federal programs is the absence of effective policies and procedures to ensure that personnel costs are charged to federal grants and programs in compliance with the time and effort reporting requirements of OMB's Uniform Administrative Requirements. Districts and their auditors should be aware of those requirements and should take the necessary steps to ensure that their time distribution systems are in compliance with those requirements.

It is critical for payroll charges to match the actual distribution of time recorded. If using budget estimates, the LEA must periodically, at least quarterly, reconcile payroll charges to the actual time and effort reflected in the employees' time-and-effort records.

Recommendation: If the difference between the actual and budgeted amounts is 10% or greater, the

LEA should adjust its accounting records at least quarterly. If the reconciled difference is less than 10%, the LEA should adjust the accounting records at least annually. But in both cases, the accounting records must be adjusted to reflect actual time-and-effort records.

Policies and procedures that do not meet those requirements should be reported as an audit finding. The SDE has provided guidance on this issue that can be found at <http://www.sde.idaho.gov/federal-programs/funding/index.html> (Fiscal Compliance Tab)

If you have any questions relating to Time and Effort Reporting, please contact Kathy Gauby (Title I Coordinator) at (208) 332-6889 or Elmira Feather, Funding & Accountability Coordinator (208) 332-6900.

#### Idaho Code 33-1019 (Allocation for School Maintenance) - FY 2017 Special Provisions

There are no special provisions for FY 2017. Schools must either spend or set aside an amount equal to the full 2% of the replacement value of the student-occupied buildings owned by the school district/charter school and those moneys shall be used exclusively for the maintenance and repair of those student-occupied school buildings. The provisions in prior years that allowed maintenance funds to be “diverted” for one-time non-personnel expenditures are not valid in FY 2017.

Please see the *School Facility Maintenance* section below for further information.

#### Audit Report Due November 10, 2017

Idaho Code 33-701(6) requires audit reports be filed with the SDE after the report’s acceptance by the board of trustees by no later than November 10. Idaho Code 33-701(6) states that if the SDE has not received the audit report by November 10, the department may withhold all or a portion of the school district’s or charter school’s November 15 distribution until the audit report has been received. The November 15 payment makes up approximately 20% of the state funding for the school year. Audit reports may be submitted in a PDF or hard-copy format.

Idaho Code 67-450B sets forth the minimum audit requirements for all local government entities, which includes both school districts and charter schools. Idaho Code 67-450B can be viewed at <http://legislature.idaho.gov/idstat/Title67/T67CH4SECT67-450B.htm>.

#### Public Pension Accounting Standards

The SDE recently received the following guidance from PERSI: After addressing the latest round of further guidance from GASB, PERSI’s auditing firm has completed its audit of the schedules of Net Pension Allocations for PERSI and Firefighters’ Retirement Fund (FRF) employers. These schedules are now posted on the [GASB information page](#) of the PERSI website. Sample footnotes and sample general ledger journal entries will be made available as soon as we receive them from the auditing firm – presumably in the next couple of weeks. If you have questions, please use the contact form on the [GASB information page](#) of the PERSI website, or email PERSI at [gasb@persi.idaho.gov](mailto:gasb@persi.idaho.gov).

#### English Learners

The English Learners program recommends that auditors review evidence that districts are verifying English Learner proficiency status reported in ISEE. Idaho Code 33-1617 requires that moneys distributed to school districts based upon the population of limited-English proficiency students and distributed to school districts to support programs for students with non-English or limited-English proficiency shall be utilized in support of the district plan. Only eligible students may be reported in ISEE for this distribution. If you have any questions regarding English Learners, please contact Alissa Metzler (English Learners Program) at (208) 332-6905 or [ametzer@sde.idaho.gov](mailto:ametzer@sde.idaho.gov)

## STATE FOUNDATION PROGRAM

Public schools receive the majority of their General M&O revenues through the State Foundation Program. The amount received is based on attendance and staffing information supplied by the public schools to the SDE during the year. This information, used to distribute over \$1.2 billion dollars to schools, is available on a secure SDE website. Please see the school superintendent or charter school administrator for the website and access information. **We are asking that auditors verify the accuracy of attendance and staffing data submitted to the SDE.**

### Attendance

The SDE recommends that auditors review how public schools submit attendance data. This review should include testing of the submitted attendance data and confirmation that schools are reporting in compliance with SDE guidelines and State Board Rules and Regulations. Attendance reports will be posted to the School Finance secure website soon after the July 15 payment is made. Please work with the superintendent or administrator to access these reports. If you have questions on the reporting of attendance, please contact Pam Brewer (School Finance) at (208) 332-6983 or [PBrewer@sde.idaho.gov](mailto:PBrewer@sde.idaho.gov).

### Staffing (also included in the *What's New / Highlighted Information* section above)

This staffing data is used to calculate Salary Based Apportionment. This review should include testing of all employed staff and their corresponding assignments, and confirmation that school districts and charter schools are in compliance with SDE guidelines and State Board Rules and Regulations. Auditors should be verifying the placement of certified staff on the education and experience multiplier table and that teaching assignments have been reported correctly. The data should reflect a "snapshot in time," which is the last Friday of September, and subsequently captured in the November upload for the first reporting period. Staffing reports will be posted to the School Finance secure website soon after the July 15 payment is made. Please work with the superintendent or administrator to access these reports. If you have questions on the reporting of the staffing information, please contact Kathryn Vincen (School Finance) at (208) 332-6845 or [KLVincen@sde.idaho.gov](mailto:KLVincen@sde.idaho.gov).

### Student Transportation

Auditors are asked to review internal control procedures to confirm that reimbursable costs, as well as miles, have been reported properly and consistently on the Student Transportation Reimbursement Claim. The SDE also recommends that auditors review bus purchasing and transportation contract solicitation which should follow Idaho Code (67-2806, 672803, 67-2807, 67-2327, 33-402 and 33-601) as well as the handling of any depreciation allowance and fuel excise tax refunds, and confirm schools are reporting in compliance with SDE guidelines and State Board Rules and Regulations. Funds received for bus depreciation should be placed in a separate fund (Fund 424) as required by the Standards for Idaho School Buses & Operation, which can be reviewed at <http://www.sde.idaho.gov/student-transportation/index.html>. If you have questions relating to transportation issues, please contact Alexandra McCann at (208) 332-6832 or [AMccann@sde.idaho.gov](mailto:AMccann@sde.idaho.gov).

### Reporting Revenues and Expenditures

Each public school is required to submit an annual financial report using the Idaho Financial Accounting Reporting Management System (IFARMS) as a guideline. *It is very important that revenues and expenditures are reported accurately using the revenue and expenditure coding*

*structure established by the SDE and that coding is reviewed during the auditing process to ensure the collection of uniform data from Idaho's public schools.* The Annual Report memos, accounting codes, reports, forms, and the IFARMS manual are available on the SDE website at <http://www.sde.idaho.gov/finance/> under Financial Information. You will also find a list of "Reminders." If you have questions on the reporting/recording of revenues and expenditures, please contact Julie Oberle (School Finance) at (208) 332-6840 or [JAOberle@sde.idaho.gov](mailto:JAOberle@sde.idaho.gov).

#### School Facility Maintenance

Idaho Code 33-1019 requires all school districts and charter schools that own or have a lease-purchase agreement for student-occupied buildings to allocate/spend money for qualifying school building maintenance. If the required amount is not expended, the difference must be reserved for future qualifying repairs and maintenance. The reserved funds may not be used to reduce the following year's allocation amount. School Building Maintenance guidance can be found on the School Finance website at <http://www.sde.idaho.gov/finance/> under Manuals. If you have any questions on school building maintenance as it relates to Idaho Code 33-1019, please contact Julie Oberle (School Finance) at (208) 332-6840 or [JAOberle@sde.idaho.gov](mailto:JAOberle@sde.idaho.gov).

## **FEDERAL**

#### General Federal Guidelines

Auditors should review federal grants for compliance with OMB's 2 CFR 200 (outlines cost principles associated with federal grants) and to the Common Rule (details the reporting requirements). Audits should be conducted in accordance with the Yellow Book and the Single Audit Act, if appropriate. If you have any questions relating to the auditing of federal funds, please contact Julie Oberle (School Finance) at (208) 332-6840 or [JAOberle@sde.idaho.gov](mailto:JAOberle@sde.idaho.gov) to be directed to the appropriate SDE Federal staff.

Some of the policies and procedures MUST be in writing: Procurement (2 C.F.R. § 200.318), Cash Management (2 C.F.R. § 200.302 (6) and Allowable Costs (2 C.F.R. § 200.302 (7)). LEAs that are monitored during 2016-2017, will need to be able to provide significant progress toward completing the new Uniform Grant Guidance policies and procedures. The SDE has provided guidance that can be found at <http://www.sde.idaho.gov/federal-programs/funding/index.html> (New Uniform Grant Guidance Tab)

#### USDA Child Nutrition Program

It is important that auditors review the internal control procedures for the handling of allowable and unallowable expenditures of USDA Child Nutrition Funds. This includes, but is not limited to documenting clearly the transferring in and out of funds relevant to the USDA Child Nutrition programs. In addition, assurance that federal reimbursement revenue and daily cash receipts received by food service are accruing to a separate child nutrition program account. Any utilities charged to the Child Nutrition program should be on a separate meter. All staff not allocated 100% to Child Nutrition should have a time and effort report. Procurement should be conducted following 2 CFR 200. Sufficient tests should be included in your review to detect errors and prevent irregularities and ensure that USDA regulations 7 CFR 210.14, 7 CFR 226.6, 7 CFR 226.7(g) and FNS 796.2 (revision 4) are being followed. If you have any questions relating to the USDA Regulations, please contact SDE's Child Nutrition unit at (208) 332-6820.

### Federal Program Identification

Under 2 C.F.R. 200-302 districts must track the CFDA title and number and federal identification number and year, name of the federal agency for both monitoring and reporting of program performance. The federal program award identification should be current, and accurately identified on their Financial Management/Accounting Systems for each Federal award or program in accordance with 200.327 and 200.328 including audit reports. For example LEA's have misreported and identified PT-B Individuals with Disabilities Education Act for Special Education or IDEA Part B funds as Title VIB funds. VIB funds are not valid for Special Education Funds, and are from an expired grant. If you have any questions, please contact Anthony Mukuna at (208) 332-6916 or [AMukuna@sde.idaho.gov](mailto:AMukuna@sde.idaho.gov).

### IDEA Part B and Preschool Financial/Cash and Program Management

For IDEA Part B and Preschool funds, auditors should review that Districts are minimizing the time elapsed between transfer of funds and disbursements 31 CFR Part 205. The State Department of Education recommends that districts make monthly and no later than quarterly reimbursement requests. Districts receive payment from the State Department of Education on a reimbursement basis, as no advances are allowable under Idaho State Department of Education policy. Therefore, any IDEA Part B and or Preschool program expenditures should have a corresponding revenue match, if reimbursement requests are performed timely, at the end of the fiscal period the account balance of IDEA Part B and Preschool federal awards should have an ending fund balance of net 0. This information and the net zero amount should therefore be accurately reflected on the Combining Statement of Revenue and Expenditure as required supplementary information for federal programs, and the program should not carry a beginning balance into the next fiscal year. Other key references: 2 CFR 200-302-303, 305 Financial Management, Internal Controls, and Payments. If you have any questions, please contact Anthony Mukuna at (208) 332-6916 or [AMukuna@sde.idaho.gov](mailto:AMukuna@sde.idaho.gov).

## **OTHER**

### Financial Audits Information on the SDE Website

The SDE has an Auditor Information as well as an IFARMS Annual Financial Report & Information section on the School Finance website (under Financial Information) at <http://www.sde.idaho.gov/finance/>. Here, you will find links to the IFARMS annual financial report information and payments to schools. This portion of the SDE website is for you. I would appreciate your ideas on items you would like to see included. Please send any suggestions or comments to me at [JAOberle@sde.idaho.gov](mailto:JAOberle@sde.idaho.gov).

### School Data Accuracy / Purchasing Procedures

The Office of Performance Evaluations (OPE) has recommended to the SDE that it require public schools to include, as part of their annual financial audit, a review of revenue and expenditure coding and a review of the accuracy of district attendance, staffing, and pupil transportation data. The review results would then need to be reported to the SDE. OPE has also requested that the SDE direct public schools to include a purchasing compliance review as part of their annual financial audit. While the SDE believes these reviews are already being done and will not be requiring the results of these reviews be reported directly to the SDE, the SDE is requesting that auditors continue to review revenue and expenditure coding, the accuracy of district attendance, staffing, and pupil transportation data, and school purchasing procedures to ensure information is being correctly reported and that adequate procedures are in place. The SDE is also requesting that auditors verify purchases are being appropriately reviewed and authorized.

### Purchasing

Auditors should include a purchasing compliance review to ensure schools have adequate purchasing procedures in place and that purchases are being appropriately reviewed and authorized. Idaho Code 33-601(2) requires public schools be in compliance with the provisions of chapter 28, title 67 of Idaho Code except for the purchase of curricular materials. These provisions specify procurement requirements for all political subdivisions of the state of Idaho, which includes public schools. If you have any questions about purchasing, please first contact your legal counsel. Questions can also be direct to the Division of Purchasing at (208) 332-1611 or Tony Pirc (Procurement) at (208) 332-6857 or [TPirc@sde.idaho.gov](mailto:TPirc@sde.idaho.gov).

### Budgeting

Budget forms, memos, and schedules can be viewed on the SDE website in the Budget Forms and Information section at <http://www.sde.idaho.gov/finance/>. Schools must also follow State Board Rules and Regulations as well as reporting guidelines established by the SDE. If you have any questions about the budgeting process, please contact Brandon Phillips (School Finance) at (208) 332-6875 or [BCPhillips@sde.idaho.gov](mailto:BCPhillips@sde.idaho.gov).

### Special Distributions

Various special distributions were included in the FY 2017 public school appropriation. A PDF document summarizing these distributions can be found with the 2016-2017 budget forms at <http://www.sde.idaho.gov/finance/> (look in the *Supporting Documents and Forms* section under Budgets).

### General Fixed Assets

Various payments to the schools are done using computations including fixed asset dollar amounts. The fixed asset information included in the notes to the financial statements should be separated into elementary, secondary, and administrative fixed asset dollars for these computations to be accurate. It would also be helpful to have this information further separated by asset type, including buildings, equipment, transportation, etc.

### Miscellaneous State Grants

Schools receive miscellaneous state grant monies that should be reviewed to ensure the dollars are expended in accordance with the school's approved applications.

### Training Opportunities

There are several opportunities during the year to learn more about school finance.

- Each spring, the SDE presents post-legislative information to Idaho's public schools. For more information, please contact School Finance in the spring (usually early April) or watch the SDE website at [www.sde.idaho.gov](http://www.sde.idaho.gov) for a schedule of these workshops. Information and archived video presentations for the last several workshops can be viewed on the SDE website at <http://www.sde.idaho.gov/topics/post-leg/>.
- The Idaho Association of School Business Officials (IASBO), in cooperation with Public School Finance, presents a New School Finance workshop in around March. This full-day workshop is often referred to as School Finance 101. For further information, please see the IASBO website at [www.idahoasbo.org](http://www.idahoasbo.org).
- IASBO also holds an annual conference in late June. This two-day workshop features concurrent sessions pertaining to issues facing Idaho's public schools. For more information, please see the

IASBO website at [www.idahoasbo.org](http://www.idahoasbo.org).

- The SDE website at [www.sde.idaho.gov](http://www.sde.idaho.gov) has a wealth of information. Specifically, the School Finance website at <http://www.sde.idaho.gov/finance/> has manuals, forms, and statistical information.
- The School Finance staff, as well as all SDE staff, encourage you to telephone or email any questions you may have. School Finance can be reached at (208) 332-6840 and the general SDE telephone number is (208) 332-6800.

Please call (208) 332-6840 or email me at [JAOberle@sde.idaho.gov](mailto:JAOberle@sde.idaho.gov) with any questions you may have.

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