



Supplemental Educational Services Determination of Financial Soundness Guidance for Providers

In order to be considered for approval as a supplemental service provider, all applicants must demonstrate financial soundness at the time of application according to the following criteria:

If the applicant is a **Wisconsin Public School District**,

- The Wisconsin Department of Public Instruction (DPI) must have a financial audit for the last fiscal year conducted on behalf of the school district by an independent Certified Public Accountant (CPA).

If the applicant is a **For-Profit or Non-Profit Entity in existence at least one full fiscal year**, *

- A complete Generally Accepted Accounting Principles (GAAP) financial audit report for the last full fiscal year must be conducted on behalf of the applicant by an independent CPA and **must be submitted** at the same time as the application.
- An audit report must include the auditor's written report (opinion) that the financial statements, along with accompanying notes, are presented in accordance with GAAP. A going concern or other qualification must be clarified. **NOTE: A Financial Information Report (FIR), a compilation or financial statements with a review report, will not be accepted.** Providers required to file a single (Federal) audit must also submit all single audit reports to DPI.
- An independent CPA auditor's report will show the applicant has conformed to all local, state and federal laws without any current audit exceptions, and that the applicant is financially sound.

If the applicant is a **Newly Formed For-Profit or Non-Profit Entity**, **

- An engagement letter from an independent CPA **must be submitted** at the same time as the application to specify that the entity is newly formed and that a financial GAAP audit report will be completed after one fiscal year of operation, whether or not services have been provided. The date the audit will be submitted must be provided in the letter. The letter must be signed by both the independent CPA and the provider. See the example of an engagement letter on next page.
- An audit must be submitted by March 1 for fiscal years ending December 31 OR by September 1 for fiscal years ending June 30.

NOTES:

* To be considered an *existing entity* the applicant (organization, company, corporation, franchise, or business) must have been operating at least one full fiscal year at the time the application is submitted.

** A letter of engagement from an independent auditor is required to be submitted by a *newly formed entity* along with the SES application. Attached is an example of what such a letter might look like. This example is provided as a model for use by the audit firm engaged by the applicant to conduct an audit after the applicant's first year of operation.

If you have additional questions, please contact Janice Zmrazek, at (608) 266-2803 or Janice.zmrazek@dpi.wi.gov.

Applications that do not include the required documents will not be approved.

NOTE: Copy this text as appropriate on Firm Letterhead. This example Engagement Letter may be modified as appropriate.

(Insert Date)

(Insert name and address of entity applying to be an SES provider)

We are pleased to confirm our understanding of the GAAP audit services we are to provide to (Name of SES Provider) for the fiscal year ending (Date). We will audit the statement of financial position of (SES Provider), a newly formed entity, and the related statements of activities, net assets, and cash flows for the year then ended. The audit will be **submitted by** (insert date)

(NOTE: An audit must be submitted to the Department of Public Instruction by March 1 for fiscal years ending December 31 OR by September 1 for fiscal years ending June 30.)

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principals. Our audit will be conducted in accordance with generally accepted auditing standards and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than qualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us. In addition, an audit is not designed to detect errors, fraud, or other illegal acts that are immaterial to the financial statements. However, we will inform you of any other illegal acts that come to our attention, unless clearly inconsequential. Our responsibility, as auditors, is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control to identify reportable conditions, that is, significant deficiencies in the design or operation of internal control. However, during the audit, if we become aware of such reportable conditions, we will communicate them to you. We understand that you are responsible for making all financial records and related information available to us and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. This responsibility includes the establishment and maintenance of adequate records and effective internal controls over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. Management is also responsible for identifying and ensuring the organization complies with applicable laws and regulations. We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

We estimate our fees for these services will be approximately (insert amount).

Signature of Company Representative, CPA

Signature of Service Provider

Date

DPI – December 2008