

Training 6-2: Financial Accounting Systems



Welcome to the Wisconsin Department of Public Instruction's training module on the Private School Choice Programs. We will refer to the Private School Choice Programs as "Choice" or "Choice program" throughout this training. The Choice program is governed by Wis. Stat. §§ 119.23 and 118.60, as well as Wis. Admin. Codes ch. PI 35 and 48. Provisions of this training module are subject to statutory and rule changes.

In this section of the Fiscal and Internal Control practices requirements we will go through the financial accounting systems.

Financial Accounting Systems

- The school must have an accounting system that:
 - Allows for double entry bookkeeping
 - Allows for completion of the financial audit
 - Separately accounts for eligible revenue and expenses
- The fiscal year for the school must be from July 1 to June 30.

The school must have an accounting system that uses double entry accounting, supports completion of the financial audit, and separately accounts for eligible revenue and expenses. The department has Financial Audit and Eligible Education Expense Bulletins available online that explain the balances that are required for the financial audit of the school.

The fiscal year for the school must be the school year, which is from July 1 to June 30.

Financial Accounting Systems

The school must have a trial balance that includes an account for the following revenues, if they receive funding from that source. The required revenue accounts are:

- Revenue from the Choice program.
- Revenue from the parent or other private paid tuition.
- Revenue from the Public School District for instruction provided by the school for the pupils.
- Revenue from the Public School District for transportation provided to pupils enrolled in the school.
- Revenue from federal, state, and local governments

The school must have a trial balance that includes accounts for certain types of revenues if the school receives revenues from that source. The required revenue accounts are revenue from the Choice program, revenue from the parent or other private paid tuition, revenue from the public school district for instruction provided by the school and for transportation provided for pupils at the school, and revenue from federal, state, and local governments. The most common example of revenue from the public school district for instruction is private schools which have a four year old kindergarten program for the public school district. In this situation, the school would be required to have a separate account for the revenue.

Financial Accounting Systems

- As part of the Fiscal & Internal Control Practices Report, the auditor must complete a walkthrough for the following:
 - Cash receipts: the process for receiving cash, generally tuition
 - Cash disbursements: the process for issuing checks and/or electronic fund transfers
 - Accounts receivable: the process for recording amounts that are owed to the school that haven't yet been received (if applicable)
 - Accounts payable: the process for recording amounts the school owes but has not yet paid (if applicable)

As part of the Fiscal & Internal Control Practices Report, the auditor must complete a walkthrough of common transactions at the school. This means that the auditor will select a transaction for each of the processes on this slide and go through the steps the school completes for that process.

The first two processes are cash receipts and cash disbursements. The school must walk the auditor through the school's process for receiving cash at the school. This would include the actual receipt of cash as well as checks or electronic transactions. The most common example of a cash receipt at a school is tuition. The school must also walk the auditor through the school's process for issuing checks and/or electronic fund transfers. The school must have an electronic fund transfer policy that indicates who is authorized to approve electronic fund transfers. This is discussed in more detail in the Financial Internal Control Systems training.

The second two processes are only required as part of the Fiscal & Internal Control Practices Report if the school uses the accrual basis of accounting during the school year. Accrual basis of accounting means that transactions are recorded in the financial statements when the revenue is earned and when the expenses are incurred, not necessary when the cash is received or paid. Wisconsin Administrative rule requires

that all schools use the accrual basis of accounting when completing the budget and the annual audited financial statements for the department. However, schools can choose to use the cash basis during the school year and then record any adjustments at the end of the year to get to the accrual basis of accounting.

The auditor must walk through the accounts receivable and accounts payable process the school is using. When completing the walkthrough for the accounts receivable process, the school must show the auditor how the school records amounts that are owed to the school that haven't yet been received. Finally, the school must show the auditor an example of the school's process for recording amounts the school owes but has not yet paid.

Questions

Website: <http://dpi.wi.gov/sms/choice-programs>

Email: DPIChoiceAuditReports@dpi.wi.gov

Phone: 1-888-245-2732 ext. 3



If you have any questions about the information discussed in this training, please see the Private School Choice Programs homepage. The left menu bar of the Private School Choice Programs homepage has resources for both schools and auditors.

Choice schools may also contact the Choice auditors at the email on the slide, or call the toll-free number at 1-888-245-2732, extension 3 with questions.