

Wisconsin Department of Public Instruction
WISCONSIN PUBLIC SCHOOL DISTRICT AUDIT MANUAL

COMMUNITY SERVICE FUND
AUDIT PROGRAM

Wis. Stat. § 120.14 requires that the district hire a licensed accountant to audit the school district accounts annually. The audit shall include information concerning about expenditures for community programs and services under Wis. Stat. § 120.13 (19). *The community service fund must be audited every year. Please note that the most current (2018-19 if you are auditing 2018-2019) expenditures should be audited.*

I. COMMUNITY SERVICE FUND OBJECTIVES

Wis. Stat. § 120.13(19) provides authority for school boards to establish community programs and services, outside the regular curricular and extracurricular programs for pupils, under such terms and conditions as the school board prescribes. The school board may establish and collect fees to cover all or part of the costs of such programs and services. The school board may not expend moneys on ineligible costs, as defined by ch. PI 80, Wis. Admin. Code. Costs associated with such programs and services shall not be included in the school district's shared cost under § 121.07(6).

II. PROGRAM PROCEDURES

The Wisconsin Department of Public Instruction (DPI) has established Fund 80 for reporting of community service fund activities. This fund is used to account for activities such as adult education, community recreation programs (e.g. evening swimming pool operation, adult softball leagues), elderly food service programs, day care services, and other programs which are not elementary and secondary educational programs but have the primary function of serving the community. Actual, additional expenditures for these activities, includes salaries, benefits, travel, purchased services, etc. are to be included in this fund to the extent feasible.

The district may adopt a separate tax levy for Fund 80. Any tax necessary to operate the Community Service Fund is considered an "operation" levy subject to Wis. Stat. § 120.10(8) and 120.12(3). The Fund 80 levy is an additional levy outside the allowed revenue limit. A Fund 80 levy adds to the district levy above and beyond the revenue limit controlled levies.

The administrative rule for community service activities is ch. PI 80, Wis. Admin. Code. Only community service program (Fund 80) expenditures that are eligible costs under state law and the administrative rules will be excluded from a district's shared cost. Ineligible costs, as defined by § PI 80.02, may not be recorded in Fund 80. A school district's revenue limit will be decreased by the amount of its ineligible expenditures for community programs and services. This first applied to the calculation of a school district's revenue limit for the 2015-16 school year.

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DPI has further guidance and tools on the following webpages that will assist auditors and districts in determining eligible community service fund expenditures:

- <http://dpi.wi.gov/sfs/finances/fund-info/community-service/overview>
- <https://dpi.wi.gov/sfs/finances/fund-info/community-service/faqs>
- <https://dpi.wi.gov/sfs/finances/fund-info/community-service/fund-80>

III. COMPLIANCE REQUIREMENTS AND AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED AND UNALLOWED

1. Compliance Requirement

Only expenditures that meet the requirements of Wis. Stat. § 120.13(19) and Wis. Admin. Code ch. PI 80 should be recorded as an expenditure in Fund 80.

Audit Procedures

1. Review the requirements of Wis. Stat. § 120.13 (19).
2. Review the definitions of ineligible expenditures in Wis. Admin. Code § PI 80.
3. Obtain a description of the expenditures and activities recorded in Fund 80 from district staff.
4. Inspect the expenditure and activity descriptions obtained from district staff for Fund 80 allowability. Use the Decision Tree for Fund 80 Community Program or Service Costs at <https://dpi.wi.gov/sites/default/files/imce/sfs/pdf/Final-Decision-Tree-for-Potential-Fund-80-03-2019.pdf> as a guide for reviewing the allowability of expenditures and activity descriptions.
5. Obtain an understanding of how Fund 10 is reimbursed when district facilities are used for Fund 80 community services and programs. Determine the process is consistent with the process for charging external community organizations.
6. Perform an analytical review comparing current year revenues and expenditures to budgeted and prior year amounts. Document whether variances from the budget and prior years are reasonable. Please note that material expenditure increases should be inspected by the auditor for Fund 80 allowability.
7. Perform an expenditures test.
 - a. Obtain the district's Fund 80 general ledger. Please note that the district may have a batch system that will only show batch totals on the general ledger. This will require the auditor to obtain a labor distribution report, check register, or expenditure distribution report to support the amounts on the general ledger.
 - b. Select a representative sample of non-payroll expenditures coded to Fund 80. The sample size should be appropriate for the population being tested. Individually significant items should be selected for testing.
 - c. Select a representative sample of payroll expenditures coded to Fund 80.
 - d. Obtain the supporting documentation (vouchers, invoices, payroll records, etc.) for each of the expenditures selected for testing.
 - e. Test the items selected in the sample for the following attributes:
 - i. The disbursement is supported by proper documentation.

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- ii. The account distribution for the expenditure is proper.
- iii. The name, date, and amounts on the general ledger are traceable to the supporting documentation.
- iv. The disbursement selected is not an ineligible expenditure as defined in Wis. Admin. Code § PI 80.02. Use the Decision Tree for Fund 80 Community Program or Service Costs at <https://dpi.wi.gov/sites/default/files/imce/sfs/pdf/Final-Decision-Tree-for-Potential-Fund-80-03-2019.pdf> as a guide for making that determination.
- v. The expenditure has been properly approved.

D. REPORTING REQUIREMENTS

1. Compliance Requirement

Under Wis. Stat. § 120.13(19), a school board may not expend moneys for community programs and services on ineligible costs, as defined by Wis. Admin. Code § PI 80. Expenditures for community programs and services are excluded from the district's shared cost for state general aid, under § 121.07(6).

Fund 80 expenditures determined not to meet established rules must be reported by the auditor to DPI using the *PI-1506 AC*. A school district's revenue limit will be decreased by the amount of its ineligible expenditures reported by the auditor for community programs and services. This revenue limit adjustment first applied to the calculation of a school district's revenue limit for the 2015-16 school year.

Audit Procedures

1. Report identified expenditures that do not meet the Fund 80 rules or are considered ineligible by the auditor on the *PI-506 AC*. **Please note that the auditor should not report expenditures that have been reclassified prior to filing the *PI-1506 AC*.**
2. The Fund 80 identified expenditure amounts that are reported on the *PI-1506 AC* should be reported as questioned costs on the "Schedule of Findings and Questioned Costs" in the single audit report.