***Date:* July 2, 2013**

***To:* School District Auditors**

***From:*** Gene Fornecker, Brian Kahl, Michele Tessner

***Subject:* Information required for 2012-2013 School District Audits**

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**Auditor Mailings**

It is imperative that all district auditors subscribe to the Auditor listserv in order to receive all communications. To subscribe to the auditor listserv go to the following website <http://sfs.dpi.wi.gov/sfs_auditor_break>.

**School Finance Reporting Portal (SAFR) Access**

Any change in the districts you are contracted to audit should be communicated to one of the School Finance Auditors so that the appropriate authorization to SAFR data and reports can be granted.

**State Audit Programs (DPI)**

State audit programs have been updated for the 2012-2013 fiscal year. Please download the newest version of these audit programs for the current audits. DPI State audit programs are available at <http://sfs.dpi.wi.gov/sfs_fin_audit>. The General Aids Audit program has been modified to reflect additional audit procedures for Special Adjustment Aid. Both Pupil Transportation Aid Audit programs have been rewritten. Auditors can now obtain the district’s Multi-Year Data Comparison-Reasonability Check for the transportation program which provides the number of pupils transported by category and percent of pupils transported for multiple years.

**DPI Aids Register**

On July 1, 2012, the DPI aids register went to an online format. The new aids register can be found at <http://sfs.dpi.wi.gov/aid_info>. There will be a box to enter the agency name and the fiscal year. Districts and Auditors can use the aids register to identify federal programs passed through DPI by program and CFDA number.

**General Aid Payment Information**

The June 17th aid payment information with open enrollment revenues and expenditure adjustments has been posted to the Aid Payment Information webpage at <http://sfs.dpi.wi.gov/sfs_steqaidexp>. This excel document provides information to assist districts and auditors in recording the journal entry for the June payment. The July 22nd delayed equalization aid payment information will also be posted to this webpage.

**Per Pupil Adjustment Aid**

The state biennial budget enacted a new categorical aid program for 2012-13. $42.5 million was allocated for per pupil adjustment aid (Act 32 section 9137 (3r)). Districts are to code Per Pupil Adjustment Aid revenues to Source 619 (Other Categorical Aids) for FY 12-13. The State ID # is 255.925 for Per Pupil Adjustment Aid. Information about per pupil adjustment aid (including an amount by district) can be found at <http://sfs.dpi.wi.gov/sfs_revlimworksheet>.

**Exempt Computer Aid**

School districts will receive their exempt computer aid payment on July 22 but this amount must be recorded as a receivable (Due from State--715500) and corresponding revenue (Source 691) in Fund 10 in the fiscal year ended June 30, 2013. The amounts per district will be included in the "On Record at DPI" listing as noted above or at <http://sfs.dpi.wi.gov/sfs_pay_aid_info> when available.

**Annual Report Entry Items (On Record at DPI)**

The Annual Report Entry Items will be available on our internet website by July 15, 2013. These listings by school district are accessible by entering the DPI School Finance Reporting Portal link at <http://sfs.dpi.wi.gov/sfs_safrlinks> and then selecting the district. Click on “Financial Data Home”, “Annual Report”, “2012-2013”, and then select “On Record @ DPI" link on the left scan bar. The entries on these pages must be reported on the district's Annual Report. Please verify that these items have been properly recorded and the amounts agree. If amounts do not agree please call the Department for assistance.

**PI-1506 AC Attestation Letter**

A new attestation report for the aid certification is available for district auditors. This report can be obtained at <http://sfs.dpi.wi.gov/sfs_aud_list>.

Auditors must include the following information in the audit workpapers.

1)-A signed *Financial Audit Statement PI-1506* form

2)-A copy of the *PI 1506 AC Audit Statement - Aid Certification Data Report* resulting from filing the 1506 AC Data Form

3)-The written attestation report regarding the submitted *PI 1506 AC*

DPI will verify the inclusion of these documents in the audit work papers during our site visits.

**Audited Fund Balances Report (Reminder)**

The audited fund balances report includes two columns for auditors. One column is for reporting of fund balances under GAAP (agrees with the audited financial statements) and the other column is for reporting fund balances under regulatory (DPI) reporting (agrees with the district annual report). In most cases the two columns will be the same.

**Corrective Action Plans (Reminder)**

The corrective action plan prepared to address each audit finding is required to be submitted as part of the reporting package. The corrective action plans should include the name or names of the contact persons responsible for the corrective action, the corrective action planned, and the anticipated completion date. DPI needs the corrective action plans to properly resolve the findings reported. Please provide enough detail of the district’s plan of action to resolve the findings identified. A detailed listing of mitigating controls put in place by the District could be included to help clarify the district’s resolution of the finding. Please note that the internal control over compliance type findings are also required to have a corrective action plan.

**Debt Summary**

DPI has a debt summary that is now available to the auditors. The debt summary can be found in the school finance reporting portal at <http://sfs.dpi.wi.gov/sfs_safrlinks>. Auditors will need to select the district and FY annual report to view the summary. The summary will be posted under “Reviewing the Data” on the left hand side of the screen.

**Food Service Bad Debts**

OMB Circular A-87 Bad Debts expenditures are unallowable costs for Federal programs. If a district writes off any uncollectible accounts related to students in Fund 50 which relate to prior fiscal periods they must record an operating transfer from Fund 10 to Fund 50 in the amount of the bad debt. If the district records a bad debt related to meals served in the current fiscal period they should simply abate the uncollectible portion against the related revenue account with no operating transfer being required.

**Employee Benefit Trust Fund Contributions**

After a review of the Fund 73 data from fiscal year 2012, DPI worked with many districts and auditors to make adjustments to the Fund 73 transactions. In April, a letter went out to districts that have a Fund 73 OPEB Trust describing the key items to keep in mind as they complete their transactions. The letter can be accessed directly at <http://sfs.dpi.wi.gov/files/sfs/Letter_to_LEAs_with_Fund73_4-11-13.doc>. The letter, along with other helpful guidance on Fund 73, can be found on the Employee Benefit Trust at <http://sfs.dpi.wi.gov/sfs_emp_benefit_trust_fund>.

For OPEB related questions, contact Michele Tessner at michele.tessner@dpi.wi.gov or 608-267-9218.

**Health Reimbursement and Health Savings Accounts**

DPI has developed guidance on accounting for Health Reimbursement Account (HRA) and Health Savings Account (HSA) transactions. The guidance should address the various types of plans that districts have created including custodial accounts and trust funds. The guidance can be found at <http://sfs.dpi.wi.gov/sfs_wufaracct_code_ex>.

**Health Insurance Premium Rebates**

The Affordable Care Act (health reform law) requires health insurance companies to rebate part of the premiums received (beginning in 2011) through employer or group policy holders. The provider must rebate a portion of the premiums received if health insurance providers do not expend at least 80 percent of the premiums it receives on health care services such as doctors and hospital bills and to activities to improve health care quality. Information on coding the revenue and options for distributing the rebate can be found at <http://sfs.dpi.wi.gov/sfs_wufaracct_code_ex>.

**School Based Services Benefit**

The Department of Health Services (DHS) has designated the School Based Services Benefit to be a Type A program when 1) the auditee has a single audit and 2) the department pays the auditee $100,000 for the School Based Services program during the audit period. DHS will provide a list of payments made for this program between July 1, 2012 and June 30, 2013 on the *State Single Audit Guidelines* website to use when determining the amount of funding paid to the agency. This information also serves as a confirmation of the departments (DHS) payments to school districts for the program. There is a new audit program for School Based Services. This new audit program can be obtained at <http://sfs.dpi.wi.gov/sfs_fin_audit> or at <http://www.doa.state.wi.us/category.asp?linkcatid=1028&linkid=81&locid=167>. The list of payments made to each district can also be obtained at <http://www.doa.state.wi.us/category.asp?linkcatid=1028&linkid=81&locid=167>.

**Medicaid SBS or MAC Payments**

It has come to DPI’s attention that some districts are not coding Medicaid revenue appropriately. Districts have been provided the following information:

If check is issued by Forward Health: FUND 27, SOURCE 780

If check is issued by a CESA and not Forward Health: FUND 27, SOURCE 581

If check is issued by a different district and not Forward Health: FUND 27, SOURCE 381

Districts should not be coding Medicaid SBS revenue to Fund 10 and districts should not be coding Medicaid SBS or MAC revenue to source 517.

The School Financial Services team has published a document outlining how Medicaid revenue must be coded: <http://sfs.dpi.wi.gov/files/sfs/MEDICAID.doc>

**Special Education Auditing and Reporting**

The PI-1505-SE Annual Report for 2012-13 special education expenditures and selected revenues is online. Districts have until September 20, 2013 to file this report. It can be found on each district’s “Financial Data Home” page in the School Finance Reporting Portal. Auditors do not have access to the report so you will need to request copies from district staff.

One topic we would like to highlight this year is special education transportation, which came up in a number of findings last year. When testing these records for the special education and transportation categorical aid reviews, please remind districts that:

* Special education transportation costs are eligible for categorical aid (project 011) only for routes or services on which 100% of the pupils have transportation needs specified by their IEPs.
* If a particular route to or from school is claimed as an eligible special education cost, the pupils on that route cannot be included in the district’s PI-1547 Pupil Transportation Report count.

As a reminder, the review process for No Valid License (NVL) findings changed last year. A note will go out via the auditor listserv when NVL reports are available. If a district wants to dispute an entry on the list, a representation letter must be included with the NVL spreadsheet submitted by the auditor, signed by an authorized user of the PI-1202 or the district administrator. A sample letter can be downloaded at <http://sfs.dpi.wi.gov/files/sfs/doc/sped_repltr.doc>.

The report and representation letter should be e-mailed to dpisfsreports@dpi.wi.gov by September 20, 2013. Contact Daniel Bush at daniel.bush@dpi.wi.gov or 608-267-9212 with any questions.

**IDEA Maintenance of Effort**

The following link will take you to an “at-a-glance” guide for reviewing IDEA’s maintenance of effort requirement and possibly utilizing DPI’s web-based MOE reporting tool: <http://sped.dpi.wi.gov/files/sped/pdf/moe-pocket-guide.pdf>. If you need the auditor user name and password to gain entrance to the special education web portal, please contact rachel.zellmer@dpi.wi.gov.

**IDEA Entitlement Allocations**

DPI has posted on its website IDEA Flow-Through and Preschool entitlements by District.

See FY 2012-2013 Entitlement for Flow-Through Funds: <http://sped.dpi.wi.gov/sped_grt_flow> and FY 2012-2013 Entitlements for Preschool Funds: <http://sped.dpi.wi.gov/sped_grt_pren>. Please note that these entitlements are considered district grant awards and should be included on the district’s Schedule of Expenditures of Federal Awards. DPI reimbursed all districts directly for 2012-13 claims. This may require some districts to change the pass-through agency listed on the Schedule of Expenditures of Federal Awards in 2012-13.

**IDEA Revenue Coding**

This year, DPI began paying IDEA grant funds directly to districts, even if their CESA is assisting them with claims or administering their programming. Direct IDEA grant payments from DPI are coded to source 730, and IDEA grant-funded expenditures are coded to project 340. Districts should not be coding revenues to source 517 or expenditures to project 517.

**Special Education Tuition (Open Enrollment and Non-Open Enrollment)**

Districts are required to code all open enrollment flat fee amounts to fund 10. This includes the flat rate open enrollment amount for both special education and non-special education students for both open enrollment and non-open enrollment tuition. Any additional amount for student-specific services over the flat rate is coded to fund 27.

Open enrollment or tuition costs for special education students, including both the flat rate and additional amounts, are handled through the two participating districts. Both districts should have an understanding of how special education categorical aid, if any, will be transited back to the resident district.

DPI does NOT include the special education open enrollment in state aid adjustments done in June. Districts will need to invoice and pay for the special education open enrollment flat rate and additional amounts. Special education categorical aid transits must be handled separately from invoicing and payment; they should not be applied to billed amounts as a credit.

A document located on the SFS WUFAR page under “Accounting Issues and Coding Examples” includes open enrollment coding examples for all types of funding sources and can be accessed at <http://sfs.dpi.wi.gov/sfs_wufaracct_code_ex>.

For questions regarding special education tuition account coding, contact Daniel Bush at daniel.bush@dpi.wi.gov or 608-267-9212.

**Elementary and Secondary Education Act (ESEA) Application (Title I-A, Title II-A, Title III-A)**

DPI updated the ESEA Application for the 2012-13 school year. It is very similar to the IDEA application. The district’s budgets and claims are submitted electronically. The claims automatically populate the last approved budget. School districts have the ability to assign auditors User ID’s to review the budgets and claims. The following link will take you to the login screen: <https://apps4.dpi.wi.gov/TPortal/Pages/SignIn.aspx>.

**Important Dates/Timeline**

|  |  |  |  |
| --- | --- | --- | --- |
| **Status** | **Due Date** | **Data Collected** | **Form** |
| **Opens 7/12/13** | **September 20, 2013** | **Annual Report (online)** | **PI 1505**  |
| **Opens 7/12/13** | **September 11, 2013** | **Auditor Aid Certification (online)** | **PI 1506 AC** |
| **Opens 7/12/13** | **September 20, 2013**  | **Special Education Annual**  | **PI 1505 SE** |
| **Opens week of July 8th** | **September 20, 2013** | **“No Valid License” Listing and additional questioned cost (EXCEL worksheet)** | **PI 1506** |
| **Opens 7/12/13** | **September 11, 2013** | **Audited Fund Balances (online)** | **PI 1506 FB** |
| **N/A** | **December 2, 2013** | **Audited Financial Statements (pdf copy sent to auditreports@dpi.state.wi.us)** | **N/A** |

This letter is sent ONLY to Auditors who have signed up for DPI listserv messages. Please forward this information to all auditors within your firm currently performing school district audits.

Should you have any questions during the course of your audit please contact us via phone or email at:

Gene Fornecker (608) 267-7882 eugene.fornecker@dpi.wi.gov

Brian Kahl (608) 266-3862 brian.kahl@dpi.wi.gov

Michele Tessner (608)267-9218 michele.tessner@dpi.wi.gov