***Date:* July 3, 2014**

***To:* School District Auditors**

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

***Subject:* Information required for 2013-2014 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 2013-2014 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 is being modified to reflect additional audit procedures for defined benefit contributions, Fund 46, and the energy efficiency exemption. It is not available at this time but will be available soon. We will send an auditor listserv announcement upon its posting to the web link noted above. The special education audit program also has a new format that includes compliance requirements and specific audit procedures for each compliance requirement.

**Special Education Audit Program Changes**

The Special Education Audit Program has been substantially revised and updated for clarity. Each procedure now includes an explanation of why it is included and what it is designed to look for. These descriptions make the document longer, but there is only one actual addition to the program. Minor changes in other procedures come from new law and clarification on one of the most common audit findings. Functional changes to the audit program are:

* New checks of special education open enrollment and tuition revenues—the open enrollment check compares a two-step computation to the ledger, and the non-open enrollment tuition check involves invoice testing
* Updates to contracted service checks based on contracted substitute teachers and classroom or bus aides being made eligible for categorical aid by 2013 Wisconsin Act 255
* Addition of the ‘incidental benefit exception’ for specialized transportation
* Specification of how a questioned cost is computed for a finding on specialized transportation
* Addition of two accounts for the transportation equipment and vehicle review

Additionally, an addendum that explicitly lists the data sources needed for the audit is now included. We hope you will find the expanded information helpful in understanding not just the ‘how,’ but the ‘why’ of the Special Education Audit Program.

**High Cost Transportation Aid**

2013 Wisconsin Act 20(Section 121.59, Wisconsin Statutes) created a new categorical aid program that provides additional funding to school districts in Wisconsin that have higher per pupil transportation costs when compared to the statewide average per pupil transportation cost. Each district with a per pupil transportation cost that exceeds one hundred and fifty percent (150%) of the statewide average per pupil transportation cost will receive a share of this categorical aid. The $5,000,000 appropriation will be dispersed in June, 2014 and the aid payment will be based on audited information from the previous fiscal year (2012-13). Districts should use source 619 to record high cost transportation aid. Information on high cost transportation aid can be found at <http://sfs.dpi.wi.gov/sfs_aid_info_all_types>.

There is no audit program for high cost transportation aid. If this program is selected, the auditor should verify that the proper amount of revenue has been recorded to source 619. Then go to the spreadsheet located at the link above and unhide columns C-I. The amounts in columns C-I should be traced back to the district’s ledger. The account number is located in the top column. If a discrepancy is found, DPI should be notified.

**Educator Effectiveness Grant**

The Wisconsin Educator Effectiveness (EE) System is supported by the Educator Effectiveness grant from the state. The Educator Effectiveness Grant funds the $80 per educator (i.e., superintendents, principals, teachers, and other licensed educator roles) cost and will fund system development, training, software, support, resources, and ongoing refinement costs to participants in the evaluation system. The EE Grant is an annual allocation which is non-discretionary. All mandated districts and 2R charter schools must submit an application annually in order to receive supports from the state for implementation of the system. Districts should use source 630 to record the educator effectiveness grant revenue. Information on this grant can be found at <http://ee.dpi.wi.gov/files/ee/pdf/IB15_Funding.pdf> and <http://ee.dpi.wi.gov/eesystem/grants>.

**General Aid Payment Information**

The June 16th 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 21st delayed equalization aid payment information will also be posted to this webpage.

**Per Pupil Aid**

The state biennial budget enacted a new categorical aid program for 2013-14 and 2014-15. $63,487,500 was allocated for per pupil aid for both 2013-14 and 2014-15. Districts are to code Per Pupil Aid revenues to Source 619 (Other Categorical Aids) for FY 13-14. The State ID # is 255.945 for Per Pupil Aid. DPI’s computation of per pupil aid (an amount by district) can be found at <http://sfs.dpi.wi.gov/perpupil>.

Districts receiving more than $100,000 of Per Pupil Aid and subject to the Single Audit Requirements will be required to consider this a Type A program. There are no eligibility requirements to be tested. However, we ask that auditors review the revenue limit membership data used in the calculation of aid for reasonableness. The three year average membership data used in the calculation should equal line 6 (cell J6) of the revenue limit worksheet provided on the above web link. This would be the only required procedure for this aid program. Please note that the three average membership data used in this aid calculation (and reflected on the revenue limit worksheet above) may differ from the FINAL revenue limit worksheet if there were membership audit adjustments as those adjustments were not factored into the calculation for this aid calculation. Therefore, you must use the revenue limit worksheet provided on the above web link.

**Exempt Computer Aid**

School districts will receive their exempt computer aid payment on July 28 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, 2014. The amounts per district will be included in the "On Record at DPI" listing as noted above and is available at <http://sfs.dpi.wi.gov/sfs_pay_aid_info>.

**Pupil Transportation Audits**

The current full audit program for pupil transportation requires a minimum sample size of twenty. We noted districts with several errors in the sample of twenty during the review of the 2012-13 findings related to this program. Auditors should consider testing additional pupils if the sample tested has errors. The additional testing is suggested in the audit program.

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

The Annual Report Entry Items will be available on our internet website by July 28, 2014. 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”, “2013-2014”, 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.

**Auditor’s Report on Compliance**

The Independent Auditor’s Report examples have been updated to reflect the new auditing standards. Auditors should use these reports for districts that do not have single audits. These reports can found in Chapter 9 of the audit manual or directly at <http://sfs.dpi.wi.gov/sfs_aud_list>. There are now three different report examples.

**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. For findings related to Lack of Segregation of Duties please indicate the accounting functions where this condition exists (for example: cash receipts/revenues, payroll, HR, grant claims processing). For findings related to the auditor preparing the draft financial statements please indicate what controls have been put in place for the proper review and approval of the statements by district management.

**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.

**Food Service Student Account Balances**

Some school districts are utilizing automated point of sale student account systems to collect funds and recognize food service revenues. Sometimes these systems are not integrated with district general ledger software. Please be aware of this condition and inquire of your district whether or not they are using this type of system. Any student account balances on hand should be reflected as unearned revenue.

**Community Service Fund Auditing**

2013 Wisconsin Act 306 amended Wisconsin Statute 120.14 which requires the district to hire a licensed accountant to audit the school district accounts annually. Wisconsin Act 306 requires the annual audit to include information about expenditures for community programs and services. Districts will complete a pre audit community program and service survey for 2013-14. DPI has developed an audit program to use for the 2013-14 audits. The audit program can be found at <http://sfs.dpi.wi.gov/sfs_fin_audit> . A full audit program is being developed for use with the 2014-15 audits.

**Capital Improvement Fund (Fund 46)**

2013 Wisconsin Act 336 created a fund for funding a district’s long-term capital improvement plan. DPI has designated Fund 46 for the Capital Improvement Fund. Fund 46 is funded with a transfer from Fund 10. A school board can only use monies deposited into Fund 46 for items in the approved long-term capital improvement plan. Districts are not allowed to expend Fund 46 monies for five years from the date of creation. Transfers to other funds from Fund 46 are prohibited. More information is available at <http://sfs.dpi.wi.gov/sfs_wufaracct_code_ex>.

**Employee Benefit Trust Fund (Fund 73)**

The Fund 73 audit program was split into two sections for FY14. The first section is for the traditional OPEB that is valued in the actuarial study and the second section split out the increasingly common defined contribution benefit. The defined contribution benefit is most commonly an HRA or TSA and is typically not valued in the actuarial study.

DPI worked with many districts and auditors to make adjustments to the Fund 73 transactions during the review of the annual reports. The districts with a Fund 73 OPEB trust received letters in October and June with important reminders and guidance relating to Fund 73. 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 October letter can be accessed directly at <http://sfs.dpi.wi.gov/files/sfs/doc/Letter_to_LEAs_with_Fund73_10-14-13.doc> and the June letter at

<http://sfs.dpi.wi.gov/files/sfs/pdf/Letter_to_LEAs_with_Fund73_6-18-14.pdf>

The letters, 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 Fund 73 related questions, contact Michele Gundrum at michele.gundrum@dpi.wi.gov or 608-267-9218.

**Outstanding Checks and Unclaimed Property Guidance**

Checks that are outstanding for a certain period of time (1 year for payroll checks and 5 years for most other types of checks) should be considered unclaimed property and districts should not write these checks off and keep the money. These checks should be treated as unclaimed property and sent to the Wisconsin Department of Revenue (WI DOR) to be held for the payee. More information about the WI DOR program and guidance for the timeframe of holding outstanding checks, attempting to locate the payee, and remitting the funds to the WI DOR can be found in the following WI DOR guidance: <http://www.revenue.wi.gov/forms/ucp/2013_Holder_Report_Guide_LP.pdf>. There is contact information at the end of that document and all questions relating to the program should be directed to the WI DOR. The DPI has put together a document with a best practice example and sample accounting entries, which is located under the General section of the WUFAR Accounting Issues and Coding Examples webpage at : <http://sfs.dpi.wi.gov/sfs_wufaracct_code_ex> or directly at: <http://sfs.dpi.wi.gov/files/sfs/pdf/OUTSTANDING_CHECKS.pdf>

**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 in July, 2014 made for this program between July 1, 2013 and June 30, 2014 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. The latest audit instructions will be posted to the single audit website at this time also.

**Medicaid SBS or MAC Payments**

DPI’s has new guidance on coding Medicaid revenue that includes information on interim SBS payments, Medicaid administrative claim payments, and cost settlement payments. Only interim SBS payments should be coded to Fund 27. MAC and cost settlement payments are coded to Fund 10. The School Financial Services team has published a document outlining how Medicaid revenue must be coded: <http://sfs.dpi.wi.gov/files/sfs/pdf/Medicaid%203-20-14.pdf>.

**Special Education “No Valid License” Checks**

This past school year DPI transitioned to the new Educator Licensing Online (ELO) system. ELO is a comprehensive overhaul on both the front and back ends of teacher and pupil services licensing in Wisconsin. One small piece of this transition is the licensing review in the Special Education Audit Program. We have bridged between the old and new systems to prepare the data you access in the Special Education Reporting Portal. The total number of staff flagged as “No Valid License” is consistent with prior years, but it is possible that a few may be incorrectly listed due to the transition—the ELO team advises us that in rare cases, a license number (now formally known a an ‘entity number’) did not carry forward correctly.

If your district has staff flagged as “No Valid License,” please advise them to double-check their license status. They may contact Daniel Bush directly at daniel.bush@dpi.wi.gov to resolve any misidentifications due to the ELO transition.

**OMB Compliance Supplement**

The March, 2014 OMB Compliance Supplement is now available at <http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2014>.

This Supplement is effective for audits of fiscal years beginning after June 30, 2013, and supersedes the OMB Circular A-133 Compliance Supplement dated March 2013.

**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 2013-2014 Entitlement for Flow-Through Funds: <http://sped.dpi.wi.gov/sped_grt_flow> and FY 2013-2014 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 starting with the 2012-13 claims. This may require some districts to change the pass-through agency listed on the Schedule of Expenditures of Federal Awards in 2013-14.

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

All district budgets and claims are submitted electronically in the web-based ESEA application. The claims automatically populate with the last approved budget. School districts have the ability to assign auditors user credentials to the ESEA application to review budgets and claims. The following link will take you to the ESEA login screen: <https://apps4.dpi.wi.gov/TPortal/Pages/SignIn.aspx>

**Important Dates/Timeline**

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| --- | --- | --- | --- |
| **Status** | **Due Date** | **Data Collected** | **Form** |
| **Opens 7/28/14** | **September 19, 2014** | **Annual Report (online)** | **PI 1505**  |
| **Opens 7/28/14** | **September 12, 2014** | **Auditor Aid Certification (online)** | **PI 1506 AC** |
| **Opens 7/28/14** | **September 19, 2014**  | **Special Education Annual**  | **PI 1505 SE** |
| **Available now!** | **September 19, 2014** | **“No Valid License” Listing and additional questioned cost (EXCEL worksheet)** | **PI 1506** |
| **Opens 7/28/14** | **September 12, 2014** | **Audited Fund Balances (online)** | **PI 1506 FB** |
| **N/A** | **December 1, 2014** | **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 Gundrum (608)267-9218 michele.gundrum@dpi.wi.gov