***Date:* July 3, 2015**

***To:* School District Auditors**

***From:*** Gene Fornecker, Brian Kahl, Derek Sliter

***Subject:* Information required for 2014-2015 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 2014-2015 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 very few changes but does include some updated language for the energy efficiency exemption audit requirements. The special education audit program also has an addendum that will be used for the 2014-15 audits only that includes a modification to the licensure testing sections of the audit program. The common school fund audit program and the community school fund program have also been updated.

**Special Education Audit Programs (DPI)**

The most important change is a temporary modification of the procedures for auditing special education staff licensure in 2014-15. The “No Valid License” information provided to auditors as part of the Special Education Audit Program will not be available due to the ongoing transition of DPI licensure and staff reporting to new online systems. A modified audit procedure involving manual licensure testing will be used.

Auditors will be verifying licensure for a sample of LEA staff, and LEAs able to document staff who applied for the proper license in 2014-15 but have not yet received it will be deemed in compliance with the licensure requirement. The modified procedure is in effect for 2014-15 audits only. See “Chapter 4 Special Education” at <http://sfs.dpi.wi.gov/sfs_aud_list> for the modified procedure and a blank NVL/QC Worksheet.

Changes to the permanent Special Education Audit Program are relatively minor this year. One section (II.B.2., p. 9) was added in response to auditor feedback, indicating when a finding should be issued in response to miscoding identified in the audit. The transportation section (II.A.5., pp. 5-6) now includes a definition of “route” and states that questioned transportation costs be reported to DPI on the NVL/QC Worksheet.

**High Cost Transportation Aid**

2013 Wisconsin Act 20(Section 121.59, Wisconsin Statutes) created a new categorical aid program for 2013-14 and 2014-15 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 was dispersed on June 15, 2015 and the aid payment will be based on audited information from the previous fiscal year (2013-14). 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 not an 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-J. The amounts in columns C-J 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.

**Community Service Fund Audit Program**

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. There is an audit program available that auditors should use to meet this requirement. The audit program can be found at <http://sfs.dpi.wi.gov/sfs_fin_audit>. Auditors will report identified ineligible expenditures on the PI-1506 AC starting with the 2014-15 audits.

**General Aid Payment Information**

The June 15th 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 27th 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. This program will provide $75 per pupil in 2013-14 and $150 per pupil beginning in 2014-15. Districts are to code Per Pupil Aid revenues to Source 619 (Other Categorical Aids) for FY 14-15. 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 27 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, 2015. 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 2013-14 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.

Please also take special note of suggested audit procedure # 3 under eligibility. Districts are using alternative transportation modes and should report students transported by alternative modes in the data submitted to DPI.

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

The Annual Report Entry Items will be available on our internet website by July 13, 2015. 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”, “2014-2015”, 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 (Reminder)**

The Independent Auditor’s Report examples were updated to reflect the new clarified 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 or management response prepared to address each audit finding is required to be submitted as part of the reporting package. The corrective action plans or management responses should include the name or names of the contact persons responsible for the corrective action, the corrective action planned or a detailed listing of mitigating controls, and the anticipated completion date. DPI needs the corrective action plans or management responses to properly address the findings reported. Please provide enough detail of the district’s plan of action to resolve the findings identified. Not all findings are able to be fully resolved, but a detailed listing of mitigating controls put in place by the District could be included to help clarify how the district is addressing 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. DPI reviews all the corrective action plans/management responses and will again be sending letters to any districts where the corrective action plan or management response does not address the finding identified for FY 2014-15.

**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 Operating Transfer**

School districts must record an operating transfer from the General Fund to the Food Service Fund to eliminate any year end deficit. Interfund transfers are also allowed to eliminate deficits in individual food service programs (National School Lunch, Breakfast, etc) and to cover a required USDA PLE (Paid Lunch Equity) price increase even if the overall year end Fund 50 fund balance is positive. Transfers made for any of these purposes must be explained in the addenda to the district’s Annual Report PI-1505. Any Food Service Fund deficit, resulting from elderly food services, must be eliminated by a transfer from the district's Community Service Fund. (Fund 80).

**Fund 80 Fund Balance Transfer**

School Districts have a one-time option to transfer non-levy fund balance from Fund 80 to Fund 21. Districts have accumulated a fund balance in Fund 80 with the intent to use these funds on activities that would now be ineligible. The transfer allows a district to use the funds for the intended purpose. This transfer requires DPI and board approval. Auditors should review the Fund 80 transfer for the proper approvals. The approval and actual funds transfer must be completed by July 31, 2015. See the web page at <http://sfs.dpi.wi.gov/sfs_comm_serv> for further information.

**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 and no changes have been made to the audit program for FY15. 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 a letter in June with important reminders and guidance relating to Fund 73. The June letter can be accessed directly at <http://sfs.dpi.wi.gov/sites/default/files/imce/sfs/pdf/Letter_to_LEAs_with_Fund73_6-25-15.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 Derek Sliter at [derek.sliter@dpi.wi.gov](mailto:michele.gundrum@dpi.wi.gov) or 608-267-9218.

**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, 2015 made for this program between July 1, 2014 and June 30, 2015 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.

**Updated Information on Medicaid & Aid Transit Accounting**

The Fund 27 (Special Education Fund) section of the WUFAR Accounting Issues and Coding Examples page (<http://sfs.dpi.wi.gov/sfs_wufaracct_code_ex>) has been updated with two revised documents. “Medicaid Reimbursement” has been overhauled in response to many questions from districts and other LEAs. “Purchased Services and Aid Transits” expands upon an older document, “SPED Open Enrollment Billing & Aid Transits,” to cover purchased services in general and how transits of grant or aid funds are recorded. A couple of reminders:

* The only Medicaid transactions coded to Fund 27 are those involving interim (fee-for-service) SBS claim payments or refunds from the current and previous years. Transactions involving MAC, cost settlement, and older (two years or more) SBS claims are coded to Fund 10.
* Transits of grant or aid funds MUST be recorded in full rather than being “netted out” of an invoice or payment. An aid transit may be applied to an invoice as a credit, but the full service cost and aid transit credit must be listed separately on the invoice, and the billing and paying LEAs must record and report both the service cost and the aid transit.

The updates are meant to clarify existing fiscal reporting requirements and provide more easily understood examples.

**OMB Compliance Supplement**

OMB has released a draft of the March, 2015 Compliance Supplement. The draft is available at <http://www.aicpa.org/interestareas/governmentalauditquality/resources/ombcirculara133/pages/2015draftombcspart4cfdas.aspx> . This is a draft and should be used for planning purposes only.

**Wisconsin Retirement System (WRS) GASB # 68 Information**

WRS will provide information to assist districts and auditors in implementing GASB Statement # 68. The information provided will include model note disclosures, employer proportionate share of net pension liability, required supplementary information, and model journal entries. WRS does plan on having this information available by July 31st.

**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](mailto:rachel.zellmer@dpi.wi.gov).

**IDEA Entitlement Allocations**

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

See FY 2014-2015 Entitlement for Flow-Through Funds: <http://sped.dpi.wi.gov/sped_grt_flow> and FY 2014-2015 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.

**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 7/13/15** | **September 18, 2015** | **Annual Report (online)** | **PI 1505** |
| **Opens 7/13/15** | **September 11, 2015** | **Auditor Aid Certification (online)** | **PI 1506 AC** |
| **Opens 7/13/15** | **September 18, 2015** | **Special Education Annual** | **PI 1505 SE** |
| **Available now!** | **September 18, 2015** | **Special Education additional questioned cost (EXCEL worksheet)** | **PI 1506** |
| **Opens 7/13/15** | **September 11, 2015** | **Audited Fund Balances (online)** | **PI 1506 FB** |
| **N/A** | **December 1, 2015** | **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:

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