Date: **June 28, 2019**

To: **School District Auditors and Audit Firms**

From: **DPI School Financial Services Team**

Subject: **Information for 2018-19 School District Audits**

This letter summarizes information on new and updated requirements for fiscal year 2018-19 audits of Wisconsin school districts. Please make sure it is available to all individuals within your firm performing district audits.

Searchable PDFs Required

We are no longer able to accept scanned, non-searchable audit reporting packages. All audit packages **must** be submitted as searchable PDFs; non-searchable documents will not be accepted. Documents directly saved or printed as PDFs are preferred. Scanned documents processed with character recognition, with text that can be searched and selected, are acceptable.

Auditor Mailings

We highly recommend subscribing to the SFS auditor listserv in order to make sure they receive important communications. To subscribe, visit:
http://dpi.wi.gov/sfs/finances/auditors/listserve/overview

School Finance Reporting Portal (SAFR) Access

If there have been changes in the school districts you are auditing this year, or in your firm contact information, make sure you or the district email us at dpifin@dpi.wi.gov so we can update auditor access to the SAFR reporting portal. **A district's auditor contact should be either the firm as a whole or the partner responsible for the audit engagement, not the manager or field auditor.** SAFR is accessed at:
https://dpi.wi.gov/sfs/reporting/safr/overview

Audit Program and Manual Updates

The DPI state audit programs and audit manual have been updated for fiscal year 2018-19. The newest versions of these documents are available at:
https://dpi.wi.gov/sfs/finances/auditors/overview

Payments of Federal Funds – SEFAs and Other Reporting

The U.S. Department of Education has been emphasizing the difference within federal programs

between subgranting and contracting, particularly with regard to IDEA. Only true transits of federal aids—where an LEA receives funds as the fiscal agent for a consortium or other third-party arrangement, but the funds actually belong to a different LEA—should be included on a district's Schedule of Expenditures of Federal Awards (SEFA) and coded to the appropriate WUFAR source (317, 514, or 517).

If a CESA or other LEA uses federal funds from DPI to pay a district under a contract or service agreement (e.g. travel, professional development stipend) those funds lose their identity as "federal" once they are paid to the district. The district should not be coding those funds as federal aid transits (sources 317, 514, or 517) and they should not be reported on the district's SEFA.

Professional development stipends for special education staff that are ultimately funded by a contract or service payment under a federal grant awarded to a CESA or another LEA are not eligible for state special education aid. They should be coded and reported on the PI-1505-SE using project 019. Stipends paid with a district's own grant funds should continue to be coded with the appropriate grant project.

Federal/State Awards Beginning & Ending Accruals

The Audit Requirements for DPI Programs has an added requirement that Schedules of Expenditures of Federal & State Awards include reconciling information on beginning and ending accrued receivables and/or unearned revenue, as well as cash received. More details are on page 2 of the document, under "Additional Reporting Requirements."

State Special Education and School Age Parents Audit Program

The State Special Education and School Age Parents Audit Program will continue to use the No Valid License/Questioned Cost (NVL/QC) Worksheet as in previous years. Although DPI discussed a new NVL/QC online reporting tool at the WICPA School District Auditor Conference this past spring, it has been determined such a tool could not be ready in time for the audits of the year ended June 30, 2019.

DPI audits the staff assignment information reported by an LEA in WISEstaff against each individual's licensure status at the time the audit is conducted. Auditors are not required to further investigate the license status of any individual identified in the NVL report, but rather just to report the information compiled through the audit procedures.

The audit program for Special Education and School-Age Parents Aid has been revised. Revisions include the following:

- In Compliance Requirement 2-1 and 3-1, the sample of <u>valid</u> licenses to be tested has been removed and replaced with a sample of School Nurse licenses. After reviewing the internal WISEstaff audit process, the SFS Team determined it would be appropriate to remove testing of valid licenses as it duplicates work performed by DPI, and to add testing of School Nurse licenses as those are not audited by WISEstaff.

- Compliance Requirement 2-3 has been updated due to a recent change in law repealing the prohibition against receiving both Special Education and Pupil Transportation Aids for the same student in the same year. A student riding both regular and specialized transportation routes in the same year (e.g. with a mid-year IEP change) or a student riding a regular route with support under their IEP (e.g. safety equipment, bus aide) may both have eligible costs for Special Education Aid and be counted for Pupil Transportation Aid. **Auditors should not issue findings under the old law that specified an LEA may not receive aid under both programs for the same student in the same school year.**

Pupil Transportation Audit Program

Compliance Requirement 2 has been updated to reflect the change in law allowing a student with IEP-required transportation who rode a regular bus route for at least part of the year to be counted for Pupil Transportation Aid. Students who are exclusively served by specialized transportation should continue to be excluded from the PI-1547 Pupil Transportation Report.

Energy Efficiency Reporting

The screens in the PI-1505-AC and PI-1506-AC reports regarding the revenue limit exemption for energy efficiency projects has been modified:

- Questions have been reworded for better clarity.
- Districts and auditors are asked to confirm the actual amount of debt service payments made between July 1 and December 31, 2018, compared to the scheduled or planned amount that was reported a year ago.
- Utility savings under the performance contract are brought in from the district's reported energy efficiency resolution to clarify that the maximum possible exemption based on the resolution is debt service payments minus utility savings.

A "quick audit" screen has also been added to help identify potential issues with the reported data or overlevies related to debt service payments made in calendar year 2019.

Per Pupil Aid Audit Program

The Per Pupil Aid program provided $654 per member in 2018-19, which was paid on March 25, 2019. Revenues are coded to source 695 for FY 18-19 and the state ID# is 255.945. The computation of per pupil aid by district can be found at:
http://dpi.wi.gov/sfs/aid/categorical/per-pupil-aid

Districts receiving more than $250,000 of Per Pupil Aid and who are subject to the State Single Audit Requirements will be required to consider this a Type A program. Please note that the three-year average membership data used in this aid calculation may differ from the final revenue limit worksheet if there were membership audit adjustments after aid payments were determined. Instructions for accessing the revenue limit worksheet used for aid determinations

are in the Per Pupil Aid audit program.

Community Service Fund Audit Program

The Community Service Fund Audit Program has been updated with some clarified language, as well as the addition of references to our guidance and "Fund 80 Decision Tree." As with previous years, auditors will report identified ineligible expenditures on the PI-1506-AC for 2018-19 audits.

Early College Credit Program

The state biennial budget for 2017-19 provides funding for the Early College Credit Program (ECCP). Claims for the Early College Credit Program are open to districts through July 15. Because there are limited funds available for reimbursement, it is not possible for a district to estimate the associated revenue, nor to book a receivable at year end. WUFAR coding for this activity should be source 699 and project 445.

Other New State Programs

The 2017-2019 state biennial budget created a number of new programs with funding that began in 2018-19. A full list is available at:
> https://dpi.wi.gov/policy-budget/2017-19-biennial-budget-new-state-aid-and-grant-programs

Any of these programs for which the district receives at least $250,000 and is subject to the State Single Audit Guidelines should be considered a Type A program without a specific compliance supplement.

State Single Audit Guidelines

The Wisconsin State Single Audit Guidelines are available at:
> https://doa.wi.gov/Pages/State-Single-Audit-Guidelines-%28SSAG%29---2017.aspx.

The DPI Appendix to the Guidelines is available at:
> https://doa.wi.gov/budget/SCO/DPI%20Appendices%20for%20SSAG%202017%20Revision%20%28002%29.pdf

Charter School Authorizer Reporting

Charter school authorizers are required to submit annually a report to the State Superintendent and the Legislature that includes all of the following:

1. An identification of each charter school operating under contract with the authorizer, each charter school that operated under a contract with the authorizer but had its contract non-renewed or revoked or that closed, and each charter school under contract with the authorizer that has not yet begun to operate.
2. The academic and financial performance of each charter school operated under contract with the authorizer.

3. The operating costs the authorizer incurred while fulfilling its statutory duties, detailed in an audited financial statement prepared in accordance with generally accepted accounting principles.
4. The services the authorizer provided to the charter schools under contract with the authorizer and an itemized accounting of the cost of the services.

Please note that there is one GAAP based schedule that should be included in the district's audited financial statements.

Information for charter school authorizers, including a report template and technical assistance document, is located at:
https://dpi.wi.gov/sms/charter-schools/information-authorizers

General Aid Payment Information

The June 17th and June 24th aid payment information worksheet has been posted to the Aid Payment Information webpage. The worksheet summarizes the district's June general aid payments and any additional state aids withheld throughout the fiscal year as a result of Open Enrollment, choice and charter programs, revenue limit penalties, or other reasons. It is designed to assist with the proper recording of these payments and is available at:
http://dpi.wi.gov/sfs/finances/aids-register/aid-payment-adj-exp
The worksheet will be updated after July 1 to reflect the delayed Equalization Aid payment and final 2018-19 Open Enrollment amounts.

Food Service Commodities Report Summary

Auditor instructions for obtaining a summary of the commodity allocation for each LEA are now available. Step number 9 of the document includes additional instructions if problems are encountered printing the summary. The instructions can be downloaded at:
https://dpi.wi.gov/sites/default/files/imce/sfs/doc/2016%20Auditor%20Instructions%20for%20Accessing%20CARS%20Report.doc

TEACH Grants

The Wisconsin Department of Administration has TEACH grants available for school districts. These grants are not subject to the State Single Audit and therefore have no State ID Number. Revenues are recorded as source 699 if directly received by the district, or source 315 or 515 if passed through another district or CESA.

Teacher Training Grants should not be recorded in Funds 23 or 93. These were used to account for programs funded by the TEACH Wisconsin Board prior to 2012.

More information is available at:
http://teach.wisconsin.gov/
Details on the accounting for these grants, including proper coding, are available at:
http://dpi.wi.gov/sfs/finances/wufar/accounting-issues-examples

Medicaid School Based Services Program

The Wisconsin Department of Health Services (DHS) will provide a list of payments made between July 1, 2018 and June 30, 2019 for the School Based Services Program sometime after July 1, 2019 on the State Single Audit Guidelines (SSAG) website. This information is used to determine the amount of funding paid to each LEA also serves as a confirmation of payments by DHS. The SSAG website is at:

> https://doa.wi.gov/Pages/State-Single-Audit-Guidelines-(SSAG)---2017.aspx

Office of Management and Budget (OMB) Compliance Supplement

The 2019 OMB Compliance Supplement has not yet been released. A draft of Part 2 of the Compliance Supplement has been released for for planning purposes only at:

> https://www.aicpa.org/interestareas/governmentalauditquality/resources/singleaudit/2019-omb-compliance-supplement.html

The 2018 Compliance Supplement remains available at:

> https://www.whitehouse.gov/wp-content/uploads/2018/05/2018-Compliance-Supplement.pdf

It only shows 2018 changes and needs to be used in conjunction with the 2017 document.

Wisconsin Retirement System (WRS) GASB 68 and Local Retiree Life Insurance Fund (LRLIF) GASB 75 Information

The Department of Employee Trust Funds (ETF) will provide information to assist districts and auditors in implementing GASB 68 and 75 requirements for the WRS and LRLIF. This will include employer schedules, model note disclosures, required supplementary information, and model journal entries.

ETF's GASB 68 webpage is at:

> https://etfonline.wi.gov/ETFGASBPublicWeb/gasb68.do

ETF's GASB 75 webpage is at:

> https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do

More information is available in the the ETF Employer Bulletin at:

> http://etf.wi.gov/employers/bulletins_local_all.htm

Schedule of Expenditures of Federal Awards and State Awards Identification Number

The Uniform Grant Guidance requires that the Schedule of Expenditures of Federal Awards (SEFA) include the name of the pass-through entity and an identifying number assigned by the pass-through entity. The Wisconsin State Single Audit Guidelines also includes the requirement for a pass-through identification number. A listing by school district of all federal and state awards paid by DPI with corresponding identifying numbers is available at:

> https://apps4.dpi.wi.gov/AID/Home

WISEgrants Portal

Budgets and claims for most federal grants administered by DPI, including Title I-A and II-A as well as IDEA, are submitted in the WISEgrants web portal. Claims automatically populate with the last approved budget. School districts have the ability to assign auditors user credentials to WISEgrants to review budgets and claims. A WAMS ID is required for WISEgrants access. Once you have a WAMS ID, contact the district about being assigned as a WISEgrants user.

WISEgrants is located at:
https://dpi.wi.gov/wisegrants/web-portal
Look to the left side of the page for general and auditor-specific technical assistance.

Individuals with Disabilities Education Act (IDEA) Maintenance of Effort

The Special Education Team has information for reviewing IDEA's maintenance of effort (MOE) requirement and the MOE monitoring utility in WISEgrants at:
http://dpi.wi.gov/sped/educators/fiscal/maintenance-of-effort
For questions related to an LEA's MOE compliance, contact Rachel Zellmer on the DPI Special Education Team at rachel.zellmer@dpi.wi.gov.

Exempt Computer Aid

School districts will receive payments of aid for exempt computers from the Department of Revenue (DOR) on July 22, 2019. These payments are recorded as 2018-19 Fund 10 revenue under source 691, along with a June 30, 2019 receivable (715500 Due from State). Payment amounts will be posted when received from DOR at:
http://dpi.wi.gov/sfs/limits/computer-aid

Corrective Action Plans

A corrective action plan to address each audit finding is required as part of the reporting package. Plans should include the name(s) of those responsible for the corrective action, what action is planned (or a detailed listing of mitigating controls), and the plan's anticipated completion date. Corrective action plans are required in order for us to review and address the findings reported. If you or the district were asked for more information during our reviews of 2017-18 findings reported as of June 30, 2018, please incorporate that information into any findings that reoccur in 2018-19 as of June 30, 2019.

Peer Review Letters

Auditors must undergo an external peer review at least once every three years and make the report available to granting agencies upon request. DPI reviews peer review reports for all firms performing school district audits. If you have not submitted your most recent peer review report to DPI, please email it to dpifin@dpi.wi.gov as soon as possible.

Important Dates/Timeline

The timeline for fiscal year 2018-19 reporting is as follows:

PI # / Report Title	Who Submits	Open Date	Due Date
PI-1505-AC Aid Certification	District	7/15/2019	8/30/2019
PI-1506-AC Auditor Aid Certification	Auditor	7/15/2019	9/13/2019
PI-1506-FB Auditor Ending Fund Balance	Auditor	7/15/2019	9/13/2019
PI-1505 Annual Report	District	7/15/2019	9/20/2019
PI-1505-SE Special Education Annual Report	District	7/15/2019	9/20/2019
Special Education No Valid License/Questioned Cost Worksheet	Auditor	7/15/2019	9/20/2019
ESSA School Level Annual Report	District	8/1/2019	10/4/2019
Audited Financial Statement Report Package	Auditor	7/15/2019	12/2/2019

Audited financial statement report packages are submitted by email to
dpiauditreports@dpi.wi.gov. They must include the following:
- Audited Financial Statements
- Single Audit Report (if separate)
- Communication with Those Charged with Governance
- Management Letter

Do not submit Data Collection Forms to DPI. As stated at the beginning of this letter, report packages must be submitted as searchable PDFs; non-searchable scans will not be accepted.

If you have questions during the course of your audit, email the SFS Team general mailbox at
dpifin@dpi.wi.gov.

Thank you for your important work.

- The DPI SFS Team