

Wisconsin Department of Public Instruction, Financial Services Team WISCONSIN PUBLIC SCHOOL DISTRICT AUDIT MANUAL

MINIMUM STANDARDS FOR AUDIT AND STANDARD SCHOOL DISTRICT AUDIT CONTRACT

The DPI is required by Wisconsin Statute 120.14 to establish minimum standards for school district audits. Pursuant to the statutory requirement to prescribe minimum school district audit standards the DPI developed Wisconsin Administrative Code PI 14.03 "Minimum standards for audit and standard school district audit contract." This administrative rule requires the audit include the examination of the district's basic financial statements including all funds, notes, and the entity-wide statements. It requires the auditor to respond directly to inquiries from the DPI or the United States Department of Education. The auditor must permit these agencies to review work papers upon request.

AUDIT SCOPE

The audit *must* include the examination of the basic financial statements including all funds of the school district. The financial statements presented in the auditor's report shall comply with generally accepted accounting principles and conform to the account structure prescribed under State Statute 115.28(13).

The auditor's examination must be made in accordance with the following:

- a) Generally accepted auditing standards.
- b) The standard for financial audits contained in the Government Auditing Standards, *2011 Revision* issued by the Comptroller General of the United States (GAO Standards).
- c) The provisions of the United States Office of Management and Budget, OMB Uniform Guidance ([2 CFR § 200](#)) Subpart F – Audit Requirements.”
- d) Applicable Audit Procedures contained in the DPI Audit Manual.

The General Accounting Office (GAO) standards require that the auditor also present reports on 1) internal control over financial reporting and 2) compliance with laws, regulations, contracts, and or grant agreements. The reports are required by the State of Wisconsin even if the district is exempt from requirements of OMB's Uniform Grant Guidance. Government Auditing Standards and AICPA standards requires the auditor to obtain an understanding of the legal requirements applicable to the district. A checklist has been developed by DPI staff to assist the auditor in determining the applicable laws pertaining to school districts.

A clear distinction must be made between auditing standards and auditing procedures. While auditing standards define the broad objectives and requirements for every audit engagement, auditing procedures describe the methods employed by an audit engagement team to satisfy the

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objectives and requirements defined in the standards. Auditing procedures are specific in application and vary from audit to audit. When conducting school district audit engagements, auditors must have a written plan or program documenting initial and revised procedures.

School district officials and employees are responsible for preparing and providing financial information for the audit. The district should maintain adequate accounting records for that purpose. It is not the function of the auditor to reconcile a school district's accounts. The attest function performed by the auditor applies to financial statements prepared by the district from its accounting records. If the auditor assists in the preparation of reconciliations and statements, the auditor is considered to be rendering accounting services outside of the audit scope, with possible impairment of auditor independence.

Upon completion of the audit, the auditor must express an opinion on the financial statements covering all funds of the school district. If the auditor expresses a qualified opinion or disclaimer of opinion, the reason for qualification or disclaimer must be fully explained. It shall be the responsibility of the school district to correct any deficiencies which caused the qualification or disclaimer of opinion. A school district has not complied with statutory provisions relating to annual audits until such time as the department receives an audit report containing an unqualified opinion on the financial statements. DPI may accept a modified opinion in limited circumstances and typically only on the entity-wide statements.

REVIEW OF AUDITOR PERFORMANCE

The DPI has an ongoing program of monitoring school district auditor performance. The objectives of this program are to determine that the auditor has complied with audit requirements and disclosed all significant audit findings. All reviews include examination of the auditors' work papers. The work papers should provide sufficient documentation of the audit planning, internal controls, analytical procedures and other substantive procedures performed to support the balances reported on the financial statements. Selected items included in the work papers may be verified with the district.

Appropriate action will be taken if review of an auditor's performance indicates DPI requirements are not met. The following are examples of actions that may be taken depending on the nature of the problem.

1. The auditor may be requested to correct deficiencies and provide evidence thereof to DPI.
2. The deficient work may be referred to the WICPA or the Accounting Examining Board for review.
3. DPI may recommend that the school district not contract with the auditor.