

# 2023 Wisconsin School District Audit Manual

WI Department of Public Instruction, School Financial Services Team

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## Table of Contents

- 1 GENERAL INFORMATION..... 1
  - 1.1 GENERAL AUDIT INTRODUCTION ..... 1
  - 1.2 AUDIT APPLICABILITY ..... 1
  - 1.3 AUDIT REQUIREMENTS ..... 1
    - 1.3.1 Additional Requirements for Single Audits..... 2
    - 1.3.2 Additional Requirements for Audits of Public School Districts ..... 2
  - 1.4 MAJOR PROGRAM DETERMINATION ..... 3
  - 1.5 AUDITOR QUALIFICATIONS AND PEER REVIEW REQUIREMENTS..... 5
  - 1.6 REVIEW OF AUDITOR PERFORMANCE ..... 5
  - 1.7 AUDIT REPORTING PACKAGE..... 6
    - 1.7.1 Schedule of Expenditures of Federal and State Awards ..... 6
    - 1.7.2 Schedule of Findings and Questioned Costs ..... 7
  - 1.8 SUBMISSION AND DUE DATES..... 7
  - 1.9 FRAUD REPORTING..... 7
  - 1.10 PAYMENT INFORMATION ..... 8
  - 1.11 WISCONSIN STATE STATUTE AND ADMINISTRATIVE RULE ..... 8
  - 1.12 EFFECTIVE DATE..... 8
  - 1.13 CONTACT INFORMATION..... 8
- 2 COMPLIANCE REQUIREMENTS FOR THE DPI PROGRAMS..... 9
  - 2.1 GENERAL AIDS CLUSTER AUDIT PROGRAM..... 9
    - 2.1.1 Background..... 9
    - 2.1.2 Compliance Requirements and Suggested Audit Procedures ..... 9
  - 2.2 SPECIAL EDUCATION AND SCHOOL AGE PARENTS AUDIT PROGRAM ..... 21
    - 2.2.1 Background..... 21
    - 2.2.2 Compliance Requirements and Suggested Audit Procedures ..... 21
  - 2.3 PUPIL TRANSPORTATION AUDIT PROGRAM..... 25
    - 2.3.1 Background..... 25
    - 2.3.2 Compliance Requirements and Suggested Audit Procedures ..... 25
  - 2.4 ACHEIVEMENT GAP REDUCTION..... 29
    - 2.4.1 Background..... 29
    - 2.4.2 Compliance Requirements and Suggested Audit Procedures ..... 29
  - 2.5 BILINGUAL/BICULTURAL AID ..... 31
    - 2.5.1 Background..... 31
    - 2.5.2 Compliance Requirements and Suggested Audit Procedures ..... 31
  - 2.6 COMMON SCHOOL FUND AID ..... 32

2.6.1	Background .....	32
2.6.2	Compliance Requirements and Suggested Audit Procedures .....	32
2.7	PER PUPIL AID .....	35
2.7.1	Background .....	35
2.7.2	Compliance Requirements and Suggested Audit Procedures .....	35
2.8	PUBLIC LIBRARY SYSTEMS AID.....	36
2.8.1	Background .....	36
2.8.2	Compliance Requirements and Suggested Audit Procedures .....	36
2.9	SPARSITY AID.....	38
2.9.1	Background .....	38
2.9.2	Compliance Requirements and Suggested Audit Procedures .....	38
2.10	STATE TUITION.....	39
2.10.1	Background .....	39
2.10.2	Compliance Requirements and Suggested Audit Procedures .....	39
2.11	PROGRAMS WITHOUT A COMPLIANCE SUPPLEMENT .....	42
2.11.1	Background .....	42
2.11.2	Compliance Requirements and Suggested Audit Procedures .....	42
3	ADDITIONAL SCHOOL DISTRICT REQUIRED PROCEDURES.....	43
3.1	COMPLIANCE WITH STATE STATUTES.....	43
3.1.1	Background.....	43
3.1.2	Suggested Audit Procedures .....	43
3.2	COMMUNITY PROGRAMS AND SERVICES AUDIT PROGRAM .....	47
3.2.1	Background.....	47
3.2.2	Suggested Audit Procedures .....	47
3.3	EMPLOYEE BENEFIT TRUST FUND AUDIT PROGRAM .....	49
3.3.1	Background.....	49
3.3.2	Compliance Requirements and Suggested Audit Procedures .....	49
4	ILLUSTRATIVE EXAMPLES .....	55
4.1	SELF-FUNDED INSURANCE FOOTNOTE .....	55
4.2	SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	56
4.3	AUDITOR AID CERTIFICATION ATTESTATION REPORT SAMPLE .....	58
5	OTHER GUIDANCE AND INSTRUCTIONS.....	59
5.1	GAAP TO DPI REGULATORY DEPARTURES .....	59
5.2	AUDITOR AID CERTIFICATION INSTRUCTIONS .....	60
5.3	INSTRUCTIONS FOR ACCESSING CARS REPORT .....	61

# 1 GENERAL INFORMATION

## 1.1 GENERAL AUDIT INTRODUCTION

The Department of Public Instruction (DPI) is the state agency that advances public education and libraries in Wisconsin. Entities that receive funding from the DPI may be subject to audit requirements as mandated by grant agreement or state and federal laws. The *Wisconsin School District Audit Manual* provides an overview to assist auditors in meeting federal, state, and the DPI audit requirements.

The *Wisconsin School District Audit Manual* serves two purposes:

1. It serves as an appendix of the State Single Audit Guidelines (SSAG). The SSAG is comprised of the [Main Document of the State Single Audit Guidelines](#) and appendices of other Wisconsin agencies. The SSAG incorporates the federal audit requirements of [Title 2 Code of Federal Regulations Part 200 Subpart F, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”](#) (Uniform Guidance). The *Wisconsin School District Manual* incorporates additional auditing and program-specific compliance requirements for entities that receive funding from the DPI and are subject to Uniform Guidance requirements.
2. It establishes auditing and program-specific compliance requirements for entities that receive funding from the DPI but do not meet the single audit federal expenditure threshold of \$750,000.

## 1.2 AUDIT APPLICABILITY

Entities that expend more than \$750,000 in total federal awards are subject to the audit requirements of Uniform Guidance. This audit requirement is federally mandated. In addition, these entities may be required to have an audit in accordance with the *State Single Audit Guidelines* (SSAG), including the *Wisconsin School District Audit Manual*, which serves as an appendix to the State Single Audit Guidelines. The SSAG are applicable when the following three conditions are met:

1. The Uniform Guidance Applies
2. The agency has received funding from a state department. This funding may be state money or federal pass-through money.
3. The granting agency has not otherwise specified that the *State Single Audit Guidelines* do not apply.

Wisconsin Public School Districts (Districts), Cooperative Educational Service Agencies (CESAs), County Children with Disability Education Boards (CDEBs), and Independent Charter Schools (ICS’s) that expend less than \$750,000 are required to have an audit of compliance requirements and must also issue a report on its system of internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*.

## 1.3 AUDIT REQUIREMENTS

This section applies to all audits that involve DPI funding.

The audit *must* include the examination of the basic financial statements by a certified public accountant. The financial statements presented in the auditor’s report shall comply with generally accepted accounting principles (GAAP). Additionally, Districts must conform to the account structure prescribed under [Wis. Stat. § 115.28\(13\)](#). The DPI prescribes the District account structure called the [Wisconsin Uniform Financial Accounting Requirements \(WUFAR\)](#). Other entities may need to reference this account structure as well.

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

- a) Generally accepted auditing standards established by [AICPA](#).
- b) [Government Auditing Standards](#) issued by the Comptroller General of the United States.
- c) [Uniform Guidance](#), if applicable.

- d) [State Single Audit Guidelines](#), including appendices, if applicable.
- e) *Wisconsin School District Audit Manual*.

The auditor expresses an opinion as to whether the auditee's financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles. The DPI may accept a modified opinion in limited circumstances. The DPI may require the auditee to correct any deficiencies which caused the modification.

### 1.3.1 Additional Requirements for Single Audits

The audit requirements section applies to all audits in accordance with the *Wisconsin School District Audit Manual*. The following is additional information if the District must also comply with the single audit requirements of Uniform Guidance. Uniform Guidance is applicable if the agency is a local government or nonprofit organization that expended more than \$750,000 in total federal awards for the audit period.

In performing a single audit, the auditor needs to apply guidelines from [Uniform Guidance's Appendix XI to Part 200 - Compliance Supplement](#). The United States Office of Management and Budget (OMB) issues a revised version of the Uniform Guidance, Appendix XI, Compliance Supplement annually. The auditor should use the appropriate version.

Part 2 (Matrix of Compliance Requirements) of Uniform Guidance's Appendix XI – Compliance Supplement provides a matrix of which of the 12 potential compliance requirements auditors must consider for specific Catalog of Federal Domestic Assistance (CFDA) program numbers listed. In 2019, the OMB limited the number of compliance requirements that could be subject to audit for each Federal program to six. For this purpose, allowable activities and allowable costs were considered one compliance area.

Part 3 (Compliance Requirements) of Uniform Guidance's Appendix XI – Compliance Supplement lists and describes the 12 types of compliance requirements and, except for Special Tests and Provisions, the related audit objectives that the auditor must consider. The auditor is responsible for achieving the stated audit objectives for the applicable compliance requirements.

Part 4 (Agency Requirements) of Uniform Guidance's Appendix XI – Compliance Supplement discusses program objectives, program procedures, and compliance requirements that are specific to each Federal program. Part 4 is regularly updated for current changes in program requirements.

Part 6 (Internal Control) of Uniform Guidance's Appendix XI – Compliance Supplement discusses internal control over compliance requirements for Federal awards. It includes a summary of the requirements for internal control for entities receiving Federal awards and auditors performing audits under Uniform Guidance and discussion on important internal control concepts.

### 1.3.2 Additional Requirements for Audits of Public School Districts

School Districts are required by [Wis. Stat. § 120.14](#) to file a financial audit statement with the state superintendent annually by September 15. Because audited financial statements are not finalized by September 15<sup>th</sup>, the auditor must complete Auditor Aid Certification on or before the second Friday in September. The Auditor Aid Certification is completed within the online reporting portal WiSFIP. The auditor must perform an examination in accordance with the [attestation standards established by the AICPA](#) of the auditor data presented in the Auditor Aid Certification. Audit workpapers must include the attestation report, the signed *Financial Audit Statement Auditor Aid Certification* form, and a copy of the *Audit Statement - Aid Certification Data Report*. Instructions to for filing the Auditor Aid Certification can be found at [Section 5.2](#). An example of the Independent Accountant's Report is found at [Section 4.3](#).

School Districts are required by [Wis. Stat. § 120.18](#) to file an annual report no later than September 1. School District's must complete the District Aid Certification no later than the last Friday of August and the Annual Report no later than the third Friday of September. The Auditor Aid Certification submitted by the auditor must tie to the information reported in the District's Annual Report. In limited circumstances, the DPI allows school districts to depart from generally accepted accounting principles (GAAP) when submitting the Annual Report and the Auditors Auditor Aid Certification. A listing of the DPI approved GAAP to Regulatory Differences can be found at [Section 5.1](#) for auditors to determine if a school district's GAAP departure is appropriate. If the GAAP departure is not on the listing or has not been previously approved by the DPI, it is expected the annual report is filed in accordance with GAAP. Therefore, please [contact a School Financial Services Team Auditor](#) prior to reporting GAAP to regulatory differences not included in the listing.

School District audits are required by [Wis. Stat. § 120.14](#) to include information about expenditures for community programs and services under [Wis. Stat. § 120.13\(19\)](#). To assist auditors in the review of community programs and services expenditures, the DPI has created an audit program with suggested audit procedures for all Districts that have an established Fund 80 with current year expenditures. The community programs and services audit program is found at [Section 3.2](#).

School District audits are required by [Wis. Stat. § 120.14](#) to include information concerning the District's self-insurance plan, as specified by the commissioner of insurance. The DPI has worked with the Officer of the Commissioner of Insurance (OCI) to provide a self-funded insurance footnote disclosure template that includes the information required by OCI. The self-funded insurance footnote can be found at [Section 4.1](#).

Auditors are required to obtain an understanding of the legal requirements applicable to the district. A checklist has been developed by the DPI staff to assist the auditor in determining the applicable laws pertaining to school districts. The compliance with state statutes program is found at [Section 3.1](#).

Post-employment benefits funded through an employee benefit trust must follow certain requirements and criteria outlined on the [Employee Benefit Trust Fund](#) webpage. Additionally, these funds must be audited under the Fund 73 Audit Program at [Section 3.3](#).

Districts that authorize charter schools, must include in their audited financial statements a Schedule of Charter School Authorizer Operating Costs per [Wis. Stat. § 118.40\(3m\)\(f\)3](#).

Membership audits are required by [Wis. Stat. § 115.28\(18\)](#) for at least 25 percent of school districts each year. The DPI has an established deadline of May 1 for submission of the required school district membership audits. Information regarding the agreed upon procedures required for membership each year can be found at [the DPI's Membership Audit Information webpage](#).

#### 1.4 MAJOR PROGRAM DETERMINATION

For audits in accordance with the State Single Audit Guidelines, the risk-based approach outlined in The State Single Audit Guidelines Main Document, Section 3.4 should be applied to all state funding to identify state major programs.

For audits in accordance with the Wisconsin School District Audit Manual, the risk-based approach outlined in The State Single Audit Guidelines Main Document, Section 3.4 should be applied to the DPI funding to identify state major programs.

The risk-based approach for identifying state major program from the State Single Audit Guidelines Main Document, Section 3.4 is shown below.

The auditor shall apply the risk-based approach from the Uniform Guidance to identify which programs will be tested as state major programs, with the following modifications:

- Consider prior audit experience with state programs when assessing whether the auditee is a low risk agency for purposes of the percentage-of-coverage rule for state programs.
- For programs that are state funded, the threshold for Type A programs is \$250,000.
- For programs that are state funded, the threshold for Type B programs is \$62,500.
- The agency may designate state or federal pass-through programs to be automatically considered to be Type A state programs, and these programs are tested as state major unless the auditor assesses them to be low-risk, but at least once every three years. In addition, granting agencies may designate programs to be state major, so that these programs are always tested when the auditee has the programs. Programs that are state funded that had less than \$25,000 in expenditures should not be treated as state major programs unless they are needed to satisfy the percent-of-coverage threshold for state programs.
- Workpaper documentation should include, for each program: the name of the program, the amounts of expenditures, whether the program is Type A or Type B, the factors considered in the risk assessment, the auditor’s assessment of the risk for each factor, and the overall assessment of risk. The workpapers should also show how risk is reflected in the testing for high-risk programs.
- When the state program is the state share of a commingled federal and state program, the auditor can rely on the risk assessment for the federal share and does not need to apply a separate risk assessment for the state share.
- The state share of commingled federal and state programs can be counted toward the 20% or 40% percentage-of-coverage threshold on the state side if the program is tested as major on the federal side.
- When the state program is the state share of a commingled federal and state program, the auditor should apply the state share towards the federal single audit threshold.
- For a low-risk agency, if current year significant deficiencies, material weaknesses, or material noncompliance indicates the potential for a system-wide problem (as opposed to a one-time or grant specific issue), the auditor needs to expand testing to cover 40% of state program expenditures, i.e. no longer consider the agency to be low risk.

The DPI considers the following program to be a designated major program that must be tested every year:

State Program Name	State Identification Number(s)
General Aids Cluster	255.201, 255.203, 255.204, 255.205 and 255.926

A cluster of programs is a grouping of closely related programs that have similar compliance requirements. General Aids are considered a cluster when determining state major programs. The General Aids Audit Program at [Section 2.1](#) is used to perform audit procedures for all state identification numbers within the cluster. All State Identification Numbers within the General Aids Cluster that are applicable to the auditee should be included on the Schedule of Findings and Questioned Costs.

The DPI considers the following programs to be designated Type A state programs that are tested as state major unless the auditor assesses them to be low-risk, but at least once every three years, unless below the threshold as outlined above:

State Program Name	State Identification Number
State Special Education and School Age Parents	255.101
Pupil Transportation	255.107

The DPI has not excluded any of its programs from the state single audit or an audit compliance with the Wisconsin School District Audit Manual.

## 1.5 AUDITOR QUALIFICATIONS AND PEER REVIEW REQUIREMENTS

Auditors contracted to perform an audit that includes funds from the DPI must possess the required qualifications to perform the audit, including standards set by AICPA Generally Accepted Auditing Standards and Government Auditing Standards. Auditors must:

- Be licensed as a certified public accountant in accordance with [Wisconsin Statute 442](#).
- Be independent in mind and appearance from influences that compromise professional judgement.
- Have the training and experience to perform audits in accordance with the applicable standards, including auditing standards generally accepted in the United States of America, Government Auditing Standards, the Uniform Guidance, the *State Single Audit Guidelines*, and the *Wisconsin School District Audit Manual*.
- Have the technical qualifications to perform all audit requirements, including required continuing professional education.
- Have completed peer review within the last three years and taken appropriate corrective action, if necessary, in accordance with [Wis. Stat. § 442.087](#).

Auditors must provide the DPI with the most up to date:

- Peer review report
- Any letter of response to a peer review report
- An acceptance letter
- A letter signed by the reviewed firm accepting the peer review documents with the understanding that the firm agrees to take certain actions
- A letter notifying the reviewed firm that certain required actions have been completed.

The above documents should be emailed to [DPIauditreports@dpi.wi.gov](mailto:DPIauditreports@dpi.wi.gov) as soon as available.

## 1.6 REVIEW OF AUDITOR PERFORMANCE

The DPI has an ongoing program of monitoring 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' workpapers. The workpapers 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 workpapers may be verified with the auditee.

Appropriate action will be taken if review of an auditor's performance indicates the 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 the DPI.
2. The deficient work may be referred to appropriate audit oversight agencies.
3. The DPI may recommend that the auditee not contract with the auditor.



## 1.7 AUDIT REPORTING PACKAGE

The audit reporting package for all audits completed in accordance with the Wisconsin School District Audit Manual and submitted to the DPI must include:

	Single Audit with DPI Funding	Non-Single Audit with DPI Funding
Independent Auditor's Report	Yes	Yes
Financial Statements	Yes	Yes
Schedule of Expenditures of Federal and State Awards. See section 1.8.1 for additional information.	Yes	Yes
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in accordance with Government Auditing Standards	Yes	Yes
Report on Compliance for Each Major Federal and State Program, and on Internal Control Over Compliance Required by the Uniform Guidance and the Wisconsin State Single Audit Guidelines	Yes	No
Report on Compliance for Each Major State Program and on Internal Control Over Compliance Required by the Wisconsin Department of Public Instruction	No	Yes
Schedule of Findings and Questioned Costs. See section 1.8.2 for additional information.	Yes	Yes
Summary Schedule of Prior Audit Findings, if applicable	Yes	Yes
Corrective Action Plan, if applicable	Yes	Yes
Management Letter, if applicable	Yes	Yes

All reports should be prepared in accordance with the most recent guidance from the AICPA. [Illustrative Auditor's Reports](#) are available from the AICPA, however auditors must modify the report templates as needed to reflect the auditee's circumstances using the most current guidance.

The management letter, if issued by the auditor, is not required to be submitted to the Federal Audit Clearinghouse in the single audit submission. However, all auditees that are required to have an audit in accordance with the *Wisconsin School District Audit Manual* must submit the management letter to the DPI. This includes the Communication to Those Charged with Governance when other comments are included.

### 1.7.1 Schedule of Expenditures of Federal and State Awards

The Schedule of Expenditures of Federal Awards and State Awards are required to be presented as Supplementary Information as part of all audits involving funding from the DPI. All auditees must report the information required by Uniform Guidance and the State Single Audit Guidelines. In addition, the schedule must present the following reconciling information:

- Beginning Accrued Receivable and/or Unearned Revenue
- Revenue/Grantor Reimbursements/Cash Received
- Ending Accrued Receivable and/or Unearned Revenue



<u>Grantor Agency/ Pass-Through Entity/ Federal Program</u>	<u>CFDA No.</u>	<u>Pass- Through ID No.</u>	<u>Accrued (Deferred) Revenue 7/1/202X</u>	<u>Cash Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/202X</u>
Dept of Agriculture Passed Through WI DPI Child Nutrition Cluster	10.XXX	XXXXX	\$15,000	\$500,000	\$535,000	\$50,000
Dept of Education Passed Through WI DPI Special Ed Cluster	84.XXX	XXXXX	\$200,000	\$750,000	\$700,000	\$150,000

### 1.7.2 Schedule of Findings and Questioned Costs

Auditees must report the information required by the Government Auditing Standards and Uniform Guidance, if applicable. Additionally, all auditees must report the information required by Section 4.11 of the State Single Audit Guidelines. In addition, all auditees must include in the Summary of Auditor Results section of the Schedule of Findings and Questioned Costs the following information:

1. A statement about whether significant deficiencies or material weaknesses in internal control over major state programs were disclosed.
2. Type of report the auditor issued on compliance for state major programs (i.e., unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion).
3. An identification of state major programs by listing each individual state major program.
4. A statement as to whether the audit disclosed any audit findings that the auditor reported under the State Single Audit Guidelines and/or the Wisconsin Public School District Audit Manual.
5. The dollar threshold used to distinguish between Type A and Type B state programs.

### 1.8 SUBMISSION AND DUE DATES

All financial audits are due to the DPI on or before December 15 each year. If issued separately from the basic financial statements, single audits are due to the DPI on or before the due date required for single audit completion in [2 CFR § 200.512](#).

Audit reporting packages should be submitted to [dpiauditreports@dpi.wi.gov](mailto:dpiauditreports@dpi.wi.gov). All audit reporting package documents are to be unencrypted, unlocked and in a text-searchable PDF format.

The DPI does not grant extensions for submissions of any reports including the Auditor Aid Certification and the audit reporting package. The DPI will consider exercising its authority under [Wis. Stat. § 121.006](#) to withhold aid payments for any late submissions.

### 1.9 FRAUD REPORTING

Auditors are responsible for reporting fraud to the DPI in two situations:

- If the auditee has not reported the fraud to the DPI, the auditor should:
  - Inform the auditee that the auditee needs to report the fraud to the DPI in writing, with a copy to the auditor so the auditor knows the provider has informed the DPI.
  - If the auditee does not report to the DPI, the auditor should report the fraud to the granting agency.
- If the auditee has not taken timely and appropriate steps to remedy the fraud, the auditor should report that failure to the DPI.

[Fraud Reporting Form PI-1999](#) should be used by the auditee and/or the auditor to report fraud to the DPI. The auditor should follow guidance in generally accepted auditing standards established by the AICPA and Government Auditing Standards to determine if fraud needs to be reported in the audit report.

#### 1.10 PAYMENT INFORMATION

General information such as specific payment dates, aid payment adjustments, the annual June and July Aid Payment Reconciliation, and other information is available on the [Aid Payment Information](#) webpage. The [Aids Register](#) is a listing of all aid payments made by the DPI. The Aids Register is reported on the cash basis. Federal and state funding information and account coding is included in the Aids Register reports. Additional [WUFAR codes and fiscal contacts](#) for federal and state funding are also available.

#### 1.11 WISCONSIN STATE STATUTE AND ADMINISTRATIVE RULE

The auditor may need to review various [Wisconsin Statutes](#) and/or the [DPI Administrative Rule](#) while performing compliance procedures in accordance with the *Wisconsin School District Audit Manual*.

#### 1.12 EFFECTIVE DATE

This revision of the *Wisconsin School District Audit Manual* is applicable for all fiscal years beginning on or after July 1, 2022 and supersedes all previous versions.

#### 1.13 CONTACT INFORMATION

For technical assistance questions regarding audits or their requirements, [contact a School Financial Services Team Auditor](#).

To receive periodic updates and information, subscribe to the School Financial Services Team [Auditor Listserv](#).

## 2 COMPLIANCE REQUIREMENTS FOR THE DPI PROGRAMS

### 2.1 GENERAL AIDS CLUSTER AUDIT PROGRAM

#### 2.1.1 Background

*State ID Numbers: 255.201, 255.203, 255.204, 255.205 and 255.926*

General Aid is State aid which is not limited to any specific program, purpose, or target population but may be used in financing the general education programs and operations of the recipient district. Decisions on the use of general aids are made by the recipient district.

#### 2.1.2 Compliance Requirements and Suggested Audit Procedures

##### 2.1.2.1 Reporting

###### 2.1.2.1.1 Compliance Requirement

School Districts are required by [Wis. Stat. § 120.14](#) to file a financial audit statement with the state superintendent annually by September 15. Because audited financial statements are not finalized by September 15<sup>th</sup>, the auditor must complete form Auditor Aid Certification on or before the second Friday in September. The Auditor Aid Certification is completed within the online reporting portal [WiSFIP](#). The auditor must perform an examination in accordance with the attestation standards established by the AICPA of the auditor data presented in the Auditor Aid Certification. Audit workpapers must include the attestation report, the signed *Financial Audit Statement Auditor Aid Certification* form, and a copy of the *Auditor Aid Certification Audit Statement - Aid Certification Data Report*. During auditor site visits, the DPI will verify the inclusion of these documents in the audit work papers. The information provided on the *Auditor Aid Certification* will be used by the DPI in determining aid eligibility required to be certified by October 15.

If the Auditor Aid Certification data is not submitted on time, the DPI may send a letter to district's school board (the contracting party with auditor). This letter will advise the board that the auditor is late in filing the key document used in determining district's aid eligibility and tax levy authority. The letter will urge the district to consider the auditor's adherence to required filing dates when contracting for audit services.

##### Suggested Audit Procedures

1. Complete the auditor data in the Auditor Aid Certification which has been examined in accordance with the attestation standards established by the AICPA.
2. Review all issues identified in the quick audits and determine the reasonableness of any variances.
3. Complete and include in audit workpapers the attestation report, the signed *Financial Audit Statement Auditor Aid Certification* form, and a copy of the *Auditor Aid Certification Audit Statement - Aid Certification Data Report*.

##### 2.1.2.2 Revenue and Expenditure Procedures

###### 2.1.2.2.1 Compliance Requirement

The DPI maintains “On Record at DPI” information related to aid payments, tax levies, and data previously reported by the district. Any variance on the Annual Report from the DPI records will result in an error that the district must correct prior to submission. “On Record at DPI” is available on the list of links on the left of the district’s Annual Report.

##### Suggested Audit Procedures

1. Determine agreement of the following “On Record at DPI” to the Auditor Aid Certification data and reasons for any differences:
  - a. Equalization Aid – Fund 10 Source 621
  - b. Special Adjustment Aid - Fund 10 Source 623
  - c. High Poverty Aid - Fund 10 Source 628

- d. Other General Fund Aid - Fund 10 Source 629
- e. State Computer Aid and Personal Property Aid - Fund 10 Source 691
- f. School Consolidation Aid - Fund 10 Source 693
- g. Sparsity Aid - Fund 10 Source 694

#### 2.1.2.2.2 Compliance Requirement

Under the modified accrual basis of accounting used for governmental funds, property tax revenue is recognized in the period for which the taxes are levied and when available with availability being defined as 60 days for property tax revenues. Under Wisconsin Statutes, each County in the District's taxing jurisdiction purchases the outstanding property taxes of the District in August of each year. The statutory guarantee assures the District full collection of all property taxes within sixty days of its year-end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied.

The amount recorded by the district in the following tax revenue accounts must agree with the amounts on record with the DPI. The DPI obtains property tax levies from the Tax Levy Report filed by the school district.

#### Suggested Audit Procedures

1. Obtain a copy of the *Tax Levy Report* from the district's financial data home page and verify against board minutes that levies are recorded as adopted by the school board:
  - a. General Fund: Current Levy - Source 211
  - b. General Fund: Property Tax Chargeback Levy - Source 212
  - c. Debt Service Fund: Current Levy - Source 211. The Tax Levy Report amounts are divided between fund 38 "non-referendum" and fund 39 "referendum approved" debt service.
  - d. Capital Expansion Fund 41: Current Levy - Source 211.
  - e. TIF Capital Improvement Fund 48- Source 211 - *Kenosha School District only*.
  - f. Community Services Fund 80- Source 211

#### 2.1.2.2.3 Compliance Requirement

The Fund 10 Source 972 account should report payments received from municipalities for collection of "property tax charge-backs" that the district previously charged to expenditure object 972. Other items may be recorded in this account with specific authorization of the DPI.

Wisconsin Statute 74.42(1) provides that no earlier than February 2 and no later than April 1 the taxation district may chargeback to each taxing jurisdiction within the taxation district except the state, its proportionate share of those personal property taxes for which the taxing district settled in full the previous February, which were delinquent at the time of settlement, and which have not been collected in the intervening year and which remain delinquent. A tax levy by the district to recover delinquent personal property tax chargeback payments is credited to revenue source account 212, "Property Tax charge-backs."

Wisconsin Statute 74.41 provides for the charging back of refunded or rescinded taxes that meet certain conditions as explicitly stated in the statute. The Department of Revenue determines the amount of rescinded or refunded taxes to be charged back to each taxing jurisdiction. A non-recurring exemption is included in the district's revenue limit worksheet on line 10D. Any additional amount added for refunded/rescinded amounts will be included in the district's allowable limited revenue.

The Fund 10 Object 972 account is where the district charges refunds made by the district of "non-deductible revenue." Normally, this is only property tax chargeback payments to municipalities and equalization aid repayments to the DPI.

The Fund 10 Source 971 account is used to record refunds of prior year expenditures other than Property Tax Chargebacks. Per the WUFAR the district should also code E-Rate refunds, insurance refunds, worker's compensation dividends, P-card rebates, Focus on Energy programs funds, and interest subsidies here.

The Fund 10 object 971 account is used to record refund payments of prior year revenues. This account should not include refunds of property tax collections.

#### Suggested Audit Procedures

1. Review detail of Fund 10 Revenue Source 972. Verify only Property Tax Chargebacks and Equalization Aid Refunds are recorded in this account.
2. Obtain the vendor detail for payments to the Municipality during the fiscal year and detail of Fund 10 Function 492000 Object 972. Verify that the district has properly reported any property tax charge backs to object 972. Please note that the district should maintain a detail of the delinquent personal property tax chargebacks and a separate detail of the refunded/rescinded amounts.
3. Review detail of Fund 10 Function 492000 Object 972. If the district received a revenue limit penalty, verify it is recorded in this account.
4. Review detail of Fund 10 Revenue Source 971. Verify amounts recorded in this account are properly coded per the above guidance.
5. Review detail of Fund 10 Function 492000 Object 972. Verify this account does not include refunds of property tax collections.

#### 2.1.2.2.4 Compliance Requirement

The amount reported by the district in General Fund revenue source 621 must agree with the amount "On Record at DPI." Along with the June Equalization Aid payment, the districts should review the "*June and July Aid Payment Reconciliation*". This document identifies the accounting entries a district must use to record Equalization Aid (State 621), private school voucher, and open enrollment transactions as well as the recording of any revenue limit penalty and a receivable for any aid payments received after June 30<sup>th</sup>. The "*June and July Aid Payment Reconciliation*" workbook is available on the [Aid Payment Adjustments](#) webpage.

#### Suggested Audit Procedures

1. Verify the amount reported by the district in General Fund revenue source 621 agrees with the amount "On Record at DPI."
2. Verify that receivable recorded by the district in source account 621 agrees with the amount on the "*June and July Aid Payment Reconciliation*" spreadsheet. NOTE: Do not use the "Equalization Aid" amount shown in the Aids Register. The Aids Register amount does not reflect end of year delayed equalization aid transactions and payments to and on behalf of the district for Open Enrollment Tuition and the private school voucher program.

#### 2.1.2.2.5 Compliance Requirement

The [DPI Aids Register](#) reports federal and state aids paid to each school district. Additionally, the [DPI Aids Register](#) identifies revenue coding for the aids paid.

*Other State General Aid* - Payments made to district from current year state appropriations recognized as revenue. No receivable is recorded at year end.

*State Categorical & Other Entitlements State Aid*- Payments made to the district from current year state appropriations recognized as revenue in the current year. The revenue recorded must agree with the payments shown on the DPI Aids Register. No receivable is recorded at year end unless there is an open enrollment or a private school voucher adjustment.

*State Reimbursement Program Aid* - Revenue recognition when reimbursable expenditures are made. The district should record a receivable for eligible expenditures receivable at fiscal year-end.

*Federal Aid Entitlements* - Revenue recognition occurs when the district is entitled to receive the aid.

*Federal Reimbursement Programs* - Revenue recognition when reimbursable expenditures are made. The district should record a receivable for receivables at fiscal year-end.

#### Suggested Audit Procedures

1. Determine that the revenue recorded for the following aids agrees with the payments shown on the current year Aids Register.
  - a. Special Adjustment Aid – Fund 10 Source 623
  - b. High Poverty School Districts – Fund 10 Source 628
  - c. Other General Aid - Fund 10 Source 629
  - d. Special Education Aid - Fund 27 Source 611.
  - e. Transportation Aid – Fund 10 Source 612.
  - f. Common School Fund Library Aid – Fund 10 Source 613
  - g. Integration Aid (Resident) – Fund 10 Source 615
  - h. Integration Aid (Non-Resident) – Fund 10 Source 616
  - i. Bilingual/Bicultural Aid – Fund 10 Source 618
  - j. Per Pupil Aid – Fund 10 Source 695
  - k. AGR Grants – Fund 10 Source 650
  - l. High Cost Special Education Aid –Fund 27 Source 625
  - m. Supplemental Special Education Aid - Fund 27 Source 626

**Note:** No receivable is recorded for a-c. No receivable is recorded at year end unless there is an open enrollment or private school voucher adjustment for d-m.
2. Request copies of the PI-1086 and trace to reimbursements shown in the Aids Register for State and Federal Special Project Grants paid through the DPI recorded in sources 630 and 730. Subsequent receipts may be verified by review of the subsequent year aid register.
3. Review prior year reports and determine if the district received federal impact aid. Review current year remittance statements from federal government and determine that impact aid is recorded appropriately in Fund 10 Source 721 and 722 and/or Fund 49 Source 723.
4. Review remittance statements and determine proper revenue recording for any other Federal Aid Entitlements.
5. Review claim forms, expenditures and determine proper revenue recording for Federal Aid other than through the DPI. Direct federal aid should be coded to source 791. Federal aid received through a not-for-profit organization should be coded to source 799.

#### 2.1.2.2.6 Compliance Requirement

Expendable supplies, non-capital items and equipment acquired for use in subsequent fiscal periods should be recorded as supply inventory and/or prepaid expense.

#### Suggested Audit Procedures

1. Review end of year expenditures to determine that district is recording prepaid expense appropriately.

#### 2.1.2.2.7 Compliance Requirement

Equipment is recorded as an expenditure when placed in service. Buildings, sites and improvements are recorded as expenditures when acquired. If a construction project is not completed, the value of work in progress, if billed by contractors, is recognized as expenditure during the fiscal period the work was completed.



## Suggested Audit Procedures

1. Test expenditures and end of year invoices to determine that district is recording equipment, buildings, sites and improvements appropriately.

### 2.1.2.2.8 Compliance Requirement

*Payments for employee services and related benefit costs (employee health, life & disability insurance, FICA, Wisconsin Retirement System, annuities)* recorded as an expenditure in the fiscal period employee services are provided. Teacher contracts usually run September 1<sup>st</sup> to August 31<sup>st</sup>.

*Accumulated Compensated Absences* - Accumulated unpaid vacation, sick leave, earned "compensatory" time recognized in the fiscal period when the accumulated time is used, not earned. Expenditures and liabilities related to these obligations should be recognized in governmental funds only when they mature (when due) under the modified accrual basis of accounting.

*Defined Benefit Contributions that are not accounted for in Fund 73* - District payments to a Health Reimbursement Account (HRA) that exceed the exact medical claims for the year, Tax Sheltered Annuity (TSA) or other defined benefit contributions must be sent to an irrevocable account in order to be recognized as an expenditure for governmental funds (Fund 10, 27, 50, 80, etc) in that year. This includes retirement benefits that are not included in the actuarial study but are prefunded as active employee benefits for use in retirement (Object 219), OPEB benefits on the pay as you go basis for current use (Function 292000, Object 290), and HRA for active employees for current use (Object 249) Defined benefit contributions are eligible for federal grants and state categorical aid as a benefit at the time a contribution for the individual is made to an irrevocable account.

*Termination and Post-Employment Benefits* – Termination payments, insurance payments on behalf of former employees or dependents, supplemental retirement payments not part of a defined plan, and other post-employment benefits recognized under the “pay as you go” method.

Termination payments (sick leave) made on behalf of former employees are not eligible for state categorical aid and are to be accounted for in function 291000 “termination benefits” and object 290 “other employee benefits”.

District contributions to an employee benefit trust in excess of the Actuarially Determined Contribution (ADC) are not eligible for state categorical aid and are to be accounted for in function 292000 “other retirement benefits” using object 218. Payments to retirees when the district is on the pay-as-you-go method should also use function 292000 with object 290.

Contributions to fund post-employment benefits are recognized as an expenditure when the funding is made to the employee benefit trust. The district must physically make payment and transfer funds to the trust within 30 days after June 30 for the fiscal year then ended.

Post-employment benefits funded through an employee benefit trust must follow certain requirements and criteria outlined on the [Employee Benefit Trust Fund](#) webpage. Additionally, these funds must be audited under the Fund 73 Audit Program at [Section 3.3](#).

*Self-Funded Health Benefits* – The liability for self-funded health benefits are limited to incurred cost during the fiscal period, including an estimate for incurred but not reported (IBNR) claims as determined by the plan administrator. Additions to fund balance restricted accounts cannot be included in expenditures. Additional account coding and guidance is available on the [WUFAR Accounting Coding Issues and Examples webpage](#).



Account 10B 817000 “Health Benefit Claims Payable” must be adjusted at June 30 to agree with the unpaid claims as confirmed by the plan administrator. Only unpaid claims should be reported in this account. This account may not include a contingency amount. Any difference should be adjusted per the guidelines provided under the WUFAR accounting issues document.

Account 10B 815000 “Self-Funded Premium Deposits” must be adjusted on June 30 to equal summer payroll premiums and any prepaid retiree premium. This account may not include a contingency amount. Any amount in excess of summer payroll and retiree premiums is considered excess premiums based on estimates and must be credited back to the object 240 expenditure accounts to ensure only actual expenditures are reported.

*Prior Service Liability* - A prepayment of a pension system "prior service liability" is recognized as an expenditure in the fiscal year the expenditure is made. If the payment is made using General Fund resources, it is charged as an expenditure of the General Fund. A payment with the use of debt proceeds is treated as a refinancing transaction in the Debt Service Fund. Additional account coding and guidance is available on the [WUFAR Accounting Coding Issues and Examples webpage](#).

#### Suggested Audit Procedures

1. Determine accrued payroll at June 30<sup>th</sup> includes July and August salaries and benefits for teachers.
2. Verify the district has not be reported compensated absences as “other non-current liability” in balance sheet account 849000.
3. For Defined Benefit Contributions not accounted for in the Fund 73 trust, verify these payments are being made into an irrevocable account and that assets cannot revert back to the district. Verify that the required contribution per employee/retiree has been placed into the irrevocable account. The defined benefit should be held in an account at least earmarked for the employee/retiree. Verify the physical cash contribution was received into the irrevocable account by July 30 in order to be included as an expenditure in the fiscal year just ending.
4. Verify termination payments (sick leave) made on behalf of former employees are accounted for in function 291000 “termination benefits” and object 290 “other employee benefits”.
5. Verify district contributions to an employee benefit trust in excess of the Actuarially Determined Contribution (ADC) are accounted for in function 292000 “other retirement benefits” using object 218.
6. Verify payments to retirees when the district is on the pay-as-you-go method are accounted for in function 292000 with object 290.
7. Contributions to fund post-employment benefits are recognized as an expenditure when the funding is made to the employee benefit trust. Verify the district physically made payment and transfer funds to the trust within 30 days after June 30<sup>th</sup>.
8. Verify Account 10B 817000 “Health Benefit Claims Payable” was adjusted at June 30 to agree with the unpaid claims as confirmed by the plan administrator. Only unpaid claims should be reported in this account.
9. Verify Account 10B 815000 “Self-Funded Premium Deposits” was adjusted on June 30 to equal summer payroll premiums and any prepaid retiree premium.
10. Verify payment of Prior Service Liability is recognized as an expenditure in the fiscal year the expenditure is made in the general fund or in the as a refinancing transaction in the Debt Service Fund if the payment is made with debt proceeds.

#### 2.1.2.2.9 Compliance Requirement

Revenue is recognized in the fiscal year the services are provided when providing services to other educational agencies.

Payments of open enrollment general tuition are determined by the DPI. Open enrollment general tuition amounts are identified by the DPI on the “*June and July Aid Payment Reconciliation*”. Starting with the 2016-17 school year (the February – April 2016 regular application period), 2015 Wisconsin Act 55 has created a new transfer amount of \$12,000 for open enrolled pupils with disabilities, as defined by IDEA and Wis. Stats. § 115.76 (5). 2017 Wisconsin Act 59 adjusted the transfer amount to \$12,207 for 2017-18. Nonresident school districts will no longer bill the resident district for the open enrollment basic transfer amount plus any actual, additional costs to provide special education for open enrolled pupils with disabilities. Revenue account Source 345 is used to record open enrollment revenue.

Non-open enrollment general tuition (source 341) is billed according to the DPI tuition worksheet or per another agreement between districts. The flat rate amount for the non-open enrollment special education student is considered general tuition and is coded to fund 10 in the same manner as non-special education students. Non-open enrollment special education services for student specific excess costs (source 346) are billed at full cost without a reduction for anticipated aid related to such services.

State special education aid may be transited to the district paying the student specific costs from the district providing the services. This occurs when the district providing the service claims these costs as categorical aid eligible (project 011) and the paying district did not use IDEA grant funds. The transit occurs in the year following the additional expenditure, which is when the aid is received from the DPI. The district providing special education services codes this transit of aid to function 491000 and object 936 and the district receiving the transit codes it to source 316.

#### Suggested Audit Procedures

1. Trace open enrollment recorded in revenue Source 345 to amounts identified by the DPI on the June and July Aid Payment Reconciliation worksheet.
2. Verify non-open enrollment general tuition recorded in source 341 is billed according to the DPI tuition worksheet or per another agreement between districts.
3. Verify non-open enrollment special education services for student specific excess costs are billed at full cost without a reduction for anticipated aid related to such services in Source 346.
4. If state special education aid is transited for student specific costs, the district providing special education services codes this transit of aid to function 491000 and object 936 and the district receiving the transit codes it to source 316.

#### 2.1.2.2.10 Compliance Requirement

Revenue is recognized in the fiscal year the services are provided when providing services to other educational agencies.

#### Suggested Audit Procedures

1. Determine that the district is recording expenditures in the proper period per confirmation with the CESA or the other district or review of supporting documentation.

#### 2.1.2.2.11 Compliance Requirement

Detailed accounting and reporting requirements for SBS and Medicaid are provided in the [Medicaid Reimbursement](#) document.

#### Suggested Audit Procedures

1. Reimbursements for eligible services are recognized as revenue in the fiscal period that the reimbursements are received. Revenues should not be netted against expenditures.
2. Revenue receivable from a CESA or another district at year end must be recorded based on the confirmation requested/obtained from the CESA or the other district or other supporting documentation.

#### 2.1.2.2.12 Compliance Requirement

Temporary cash flow borrowing is recorded as follows:

1. Proceeds are credited to General Fund liability account 811100.
2. Interest cost is accrued during the fiscal period. Accrued interest payable is recorded at the end of the fiscal period in account 811700.
3. Premium and accrued interest received as part of tax anticipation note issuance (cash flow borrowing) is recorded as General Fund revenue in source 968. The premium should not be amortized in the General Fund.

#### Suggested Audit Procedures

1. Verify cash flow borrowing is recorded per the WUFAR as noted above.

#### 2.1.2.2.13 Compliance Requirement

Investment income including interest and dividends should be recorded as revenue in fiscal year earned to revenue source 280. Accrued investment income receivable should be recorded at June 30th in account 713300.

#### Suggested Audit Procedures

1. Verify investment income is recorded per the WUFAR as noted above.

#### 2.1.2.2.14 Compliance Requirement

*Operating Transfers from the General Fund* - Operating Transfers from the General Fund may only be made to the Special Education Fund, Debt Service Fund, Long-term Capital Improvement Fund, Food Service Fund and Other Cooperatives Fund.

*Transfer to Special Education Fund* - A transfer from the General Fund (Fund 10) is required to close out the Special Education Fund (Fund 27). The Special Education Fund must have a fund balance equal to zero at June 30th.

*Transfer to the Debt Service Fund* – A transfer from the General Fund (Fund 10) to a Debt Service Fund (Funds 38 or 39) can be made only to the extent needed to make current calendar year debt service payments. Note that state statutes require a debt service tax levy sufficient to meet payments as they become due. A transfer to the Debt Service Fund may be necessary to make debt payments coming due prior to the first collection of taxes.

*Transfer to the Long-term Capital Improvement Fund* – A transfer from the General Fund (Fund 10) to the Long-term Capital Improvement Fund (Fund 46) can only be made by the school board if there is an approved capital improvement plan for a minimum of ten years and if the board has approved creating the fund.

*Transfer to the Food Service Fund* – A district may not run a deficit in the Food Service Fund. A Food Service Fund deficit must be eliminated by a transfer from the district's General Fund. A transfer to the Food Service Fund from the General Fund should be recorded in the General Fund function 411 000, object 850. The maximum that can be transferred if the district does not have a deficit in the Food Service Fund is limited to an amount necessary to cover a current year operating deficit in a particular food service program (National School Lunch, Breakfast, Ala Carte, etc), to cover a required USDA Paid Lunch Equity price increase, or to cover write offs of uncollectible accounts as bad debts are not allowed in the federal program. 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).

*Transfer to the Other Cooperatives Fund* - An operating transfer to a Cooperative Fund (Fund "90" Series) may only be made to reimburse the Cooperative Fund for the district's share of a cooperative program where the district is the host or fiscal agent for the program. A district acting as a fiscal agent of a consortium will receive revenues and make expenditures on behalf of consortium participants. Additional guidance and information regarding cooperative funds is available the [Package and Cooperative Funds](#) webpage.

*Transfer to the Community Service Fund* – Transfers may not be made from the General Fund to the Community Services Fund. Any deficit must be eliminated the following year by a tax levy or user charge.

*Transfers to Capital Projects Fund* - Districts may not transfer funds from the General Fund to the Capital Projects Fund (Fund 49) for contemplated future projects. Funds may be transferred to cover costs in excess of the funds received to complete the project or excess costs can be coded directly to the General Fund to the appropriate function-object account codes.

*Transfers from the Community Services Fund to Debt Service Fund* - Districts may transfer funds from the Community Services Fund to the Debt Service Fund (Fund 38) to the extent needed to make current year fiscal debt payments for buildings and equipment purchased strictly for use by the Community Service programs.

#### Suggested Audit Procedures

1. Determine that the General Fund transfer to Fund 27 includes only the amount necessary to bring fund balance in the Special Education Fund to zero. This amount should be recorded in General Fund function 411 000, object 827.
2. Determine that the amount transferred from the General Fund to a Debt Service Fund was used to make debt service payments prior to June 30<sup>th</sup>. The transfer should not cause an increase in fund balance. A transfer to the Debt Service Fund from the General Fund should be recorded General Fund function 411 000 object 838 or 839.
3. Determine any Food Service Fund deficits were eliminated by a transfer from the district's General Fund. A transfer to the Food Service Fund from the General Fund should be recorded General Fund function 411 000, object 850.
4. If the Food Service Fund does not have a deficit, determine the transfer from the General Fund to the Food Service Fund is limited to an amount necessary to cover a current year deficit in a particular food service program.
5. Determine a Food Service Fund deficit resulting from elderly food services is eliminated by a transfer from the district's Community Service Fund. (Fund 80).
6. Determine operating transfers to a Cooperative Fund (Fund "90" Series) are only made to reimburse the Cooperative Fund for the district's share of a cooperative program where the district is the fiscal agent for the program.
7. Verify no transfers were made from the General Fund to the Community Services Fund.
8. Verify no transfers were made from the General Fund to the Capital Projects Fund for future projects. Transfers should only cover excess costs of a current project not funded through debt or another source.
9. Determine transfers from the Community Services Fund to the Debt Service Fund (Fund 38) are only to the extent needed to make current year fiscal debt payments for buildings and equipment purchased strictly for use by the Community Service programs.

#### 2.1.2.2.15 Compliance Requirement

The annual meeting of a school district may approve a segregated "capital expansion fund" tax levy for expenditures related to buildings and sites. Equipment acquisition is not a permitted use of the capital expansion fund levy. Subsequent annual meetings must approve continuation of the tax levy.

The district is required to establish a capital projects sub-fund (WUFAR Fund 41 "Capital Expansion Fund") to account for revenues and expenditures related to the segregated tax levy. A Capital Expansion Fund cannot be used for any purpose other than that originally identified unless a change in purpose is authorized by a majority vote of electors present at a subsequent annual meeting where notice was provided that the issue would be on the meeting agenda.

#### Suggested Audit Procedures

1. Review Annual Meeting minutes. If a capital expansion fund levy has been adopted, determine that the proper amount has been levied by the district, recorded and reported as a Capital Expansion Fund (Fund 41) levy.
2. Analyze expenditures reported as Fund 41 expenditures. Determine that reported expenditures are in accordance with the purpose identified in the authorizing resolution.
3. If a transfer was made from the Capital Expansion Fund, determine that it was approved at the Annual Meeting and was included in the agenda notice.

#### 2.1.2.2.16 Compliance Requirement

A school board that has an approved long-term capital improvement plan that is for a minimum of 10 years may establish a fund for the purpose of financing the capital improvements included in the long-term plan. A school board is prohibited from spending money deposited into the fund for a period of five years from the date the fund is created. After the initial five-year period, a school board may spend money in the fund only for the purposes described in the school board's long-term plan. Additionally, a school board is expressly prohibited from transferring money in the fund to any other school district fund.

The district is required to establish a capital projects sub-fund (WUFAR Fund 46 "Capital Improvement Fund") to account for revenues and expenditures related to the segregated capital improvement fund monies. The district is allowed to accrue a contribution to Fund 46 and record the transfer if the physical cash payment is made within 30 days after June 30<sup>th</sup>.

#### Suggested Audit Procedures

1. Review District Board minutes. If the establishment of a capital improvement fund has been approved by the board, determine that the board has also approved the long-term capital improvement plan that is for a minimum of 10 years.
2. Inspect the transfers from Fund 10 to Fund 46. All cash must be deposited into Fund 46 within 30 days after June 30<sup>th</sup>.

#### 2.1.2.2.17 Compliance Requirement

Proceeds of long-term borrowing (other than capital leases) used for the acquisition of equipment, maintenance projects, facility construction or remodeling are to be reported in the Capital Projects Fund (Fund 49) and as follows.

1. Incurred long-term debt (bonds, notes, state trust fund loans, land contracts, capital leases, TEACH loans) is recorded at the full principal amount, i.e. "face" or "par" amount.
2. An amount identified as a "discount" is recorded as an expenditure. The discount should not be amortized in the governmental funds.
3. Premium and accrued interest received as part of bond or long-term promissory note issuance is recorded as Debt Service Fund revenue in funds 38 or 39. The premium should not be amortized in the governmental funds.
4. Principal and interest expenditures are recorded when payment is due.

#### Suggested Audit Procedures

1. Verify long-term debt is recorded as noted above.

#### 2.1.2.2.18 Compliance Requirement

School districts may issue long-term promissory notes for current operating expenditures "operational borrowing", statute 67.12(12). Long-term operational borrowing is unusual as school boards are required to adopt a tax sufficient (subject to revenue limit constraints) to operate and maintain district schools. A school district must have the DPI approval prior to issuing long-term operational debt. Only the following school district(s) are authorized for long-term operational debt: Madison Metropolitan.

#### Suggested Audit Procedures

1. If the proceeds of long-term borrowing have been reported in the General Fund, determine that the purpose identified on the debt instrument is to fund General Fund operations. If the purpose of the borrowing is for the acquisition of equipment, facilities, maintenance or remodeling projects, provide the district entries to reclassify the borrowing proceeds and related expenditures to the Capital Projects Fund.
2. Only debt service expenditures for Long-Term Operational Debt should be coded to WUFAR Function 283000 in the debt service funds.

#### 2.1.2.2.19 Compliance Requirement

Chapter 67 of the State Statutes permits school districts to refinance outstanding long-term debt. Refinancing debt proceeds are receipted to the Debt Service Funds 38 or 39. All expenditures associated with the refinancing transaction, including principal and interest payments along with related service charges are recorded to WUFAR function account 282000 "Refinancing" in the Debt Service Fund. See [WUFAR Accounting Issues and Coding Examples](#) for debt refinancing entries.

Proceeds from refinancing borrowing in excess of that needed to fund the refinancing transactions in the current year, or proceeds of debt refinancing that will be completed in a future fiscal period, should be reported at June 30<sup>th</sup> as Fund Balance Restricted for Refinancing, WUFAR balance sheet account 936310.

#### Suggested Audit Procedures

1. If debt proceeds are recorded in the Debt Service Fund, determine that the use of these proceeds is reported as a refinancing expenditure, WUFAR function 282000, or included in a refinancing restricted fund balance, WUFAR balance sheet account 936310 to be expended in a future fiscal period.
2. A district may be required to place in the Debt Service Fund a portion of the borrowing proceeds needed to make scheduled payments prior to receipt of tax levy revenue (sometimes referred to as "capitalized interest" by financial consultants). Such payments must be reported in the same manner as refinancing transactions to function 282000.
3. If refinancing proceeds have carry over from a prior year, determine that any current expenditure of the carryover balance (usually interest expense) is charged to WUFAR function 282000.
4. If the refinancing transaction requires the use of Debt Service Fund resources other than borrowing proceeds, the additional cost is to be recorded as an "Other Debt Service" to Capital Debt expenditure (WUFAR function 281000 or 289000, object 690).
5. If a district has issued debt to pay off the WRS unfunded pension liability or OPEB liability, these transactions should be treated as a refinancing transaction.

#### 2.1.2.2.20 Compliance Requirement

Wisconsin State Statute section 121.105 provides additional aid to school districts that generate less than 85 percent of the state aid generated in the previous year. State aid in this statute means the sum of payments provided to a school district under Wisconsin Statute section 121.08, 121.105, 121.85, and 121.86 (equalization, special adjustment, and integration aids, respectively).

### Suggested Audit Procedures

1. Obtain a copy of the [October 15<sup>th</sup> Aid Certification](#). The second tab on the spreadsheet will provide a breakdown of line I1.
2. Recompute the amount of special adjustment aid received by the district.



## 2.2 SPECIAL EDUCATION AND SCHOOL AGE PARENTS AUDIT PROGRAM

### 2.2.1 Background

*State ID Number: 255.101*

School districts and other eligible LEAs receive partial reimbursement for certain instructional, transportation, and other costs of special education and related services in the prior year. Additional information and resources can be found on the [State Special Education and School-Age Parents](#) webpage.

### 2.2.2 Compliance Requirements and Suggested Audit Procedures

#### 2.2.2.1 *Activities Allowed or Unallowed/Allowable Costs*

##### 2.2.2.1.1 Compliance Requirement

Agencies eligible under state statute receive partial reimbursement for certain instructional, transportation and contracted costs of special education and related services in the prior year. Each District, Independent Charter School (ICS), CESA and CCDEB has an obligation to employ appropriately licensed staff, including special education staff. Staff must be appropriately licensed for a special education work assignment listed in state statute in order for their salary and benefits or contracted cost to be eligible for aid.

##### Suggested Audit Procedures

1. The district will enter in the salary and benefit amounts for each individual listed on the NVL report in WISEgrants.
2. Review the amounts listed by the district in the NVL report for accuracy. If a discrepancy is noted, work with the district to update the NVL report in WISEgrants.

##### 2.2.2.1.2 Compliance Requirement

The LEA's general ledger for the special education fund must support expenditures reported in its Special Education Annual Report.

A finding is not required for this compliance requirement unless:

- The auditor believes expenditures were deliberately miscoded for the purpose of receiving aid or grant funds under any program.
- The auditor believes expenditures were deliberately miscoded between Fund 27 and another fund for the purpose of misstating the LEA's IDEA maintenance of effort, or
- The auditor believes expenditures were miscoded the result of a significant and/or ongoing management concern.

##### Suggested Audit Procedures

3. Verify that the total amounts of Fund 27 expenditures coded to projects 011, 019, and 340 are consistent between the general ledger and the Special Education Annual Report.
4. Test individual project 011 expenditure account totals as appropriate to verify they are consistent between the general ledger and the Special Education Annual Report.
5. Inform the auditee of any needed expenditure corrections.

NOTE: The Special Education Annual Report may not be completed at the start of the auditor's field work. The auditor may need to audit from the general ledger during field work and compare it to the submitted report later.

##### 2.2.2.1.3 Compliance Requirement

Staff must be appropriately licensed for a special education work assignment listed in state statute in order for their salary and benefits to be eligible for aid.

A finding must be issued for this compliance requirement when a questioned cost is identified. The auditor may take into account circumstances beyond the LEA's control, such as a delay by the DPI in issuing a license, when drafting their finding. The finding should indicate whether questioned costs were recoded to the correct (project 019) account.

#### Suggested Audit Procedures

1. Identify a sample of staff for payroll testing from each of the following sources:
  - a. The "late hire" listing provided by the auditee.
  - b. The listing of employees with the School Nurse assignment provided by the auditee.
2. Perform a payroll test for each individual in the sample using the [Valid Reporting and License Codes matrix](#):
  - a. Verify their work assignment.
  - b. Verify whether the account distribution of their payroll and benefits agrees with their assignment.
  - c. Verify they were appropriately licensed for their assignment. An individual with the School Nurse assignment has a valid license if they are licensed by the DPI as a school nurse and/or by the Board of Nursing under DSPS as a registered nurse (RN).

#### 2.2.2.1.4 Compliance Requirement

State statutes define certain privately contracted special education services are eligible for aid. A listing of eligible services is found in the [2011 Act 105 & 2013 Act 255 Funding Guidance](#) document. Other services or services not provided in accordance with law are not eligible for aid, regardless of their account coding.

NOTE: Private school tuition is not eligible. A private school may provide an eligible service (e.g. a one-on-one aide) but the invoice must list that service separately, and it must be coded separately from the ineligible tuition.

A finding is not required for this compliance requirement if ineligible expenditures are recoded to the correct account unless the auditor believes the miscoding to be deliberate or the result of a significant and/or ongoing management concern. The finding should indicate whether questioned costs were recoded to the correct (project 019) account.

#### Suggested Audit Procedures

1. If the LEA has contracted occupational or physical therapy expenditures (27E 310 218100 011 or 27E 310 218200 011):
  - a. Test whether those expenditures were eligible contracted occupational or physical therapy provided by individuals with proper DPI licenses.
2. If the LEA has privately contracted instructional expenditures (27E 370 436000 011):
  - a. Obtain a vendor distribution report for the account.
  - b. Request a description of the services provided by each vendor.
  - c. Request the additional detail the LEA is reporting on its Special Education Annual Report for the account, breaking down the total among the specific eligible services.
  - d. Verify that the additional detail the LEA is reporting for the account is correct.
  - e. Verify that private school tuition is not being coded to the account.
  - f. Test whether expenditures were eligible contracted services provided by individuals with proper DPI licenses.

#### 2.2.2.1.5 Compliance Requirement

Specialized transportation includes only the transportation an LEA provides to fulfill individualized education programs (IEPs). A specialized route is a scheduled transportation service for one or more specific students, all of whom have IEPs requiring transportation; one vehicle may serve multiple routes.

Specialized routes may include routes to or from school, as well as shuttle or individual routes during the school day for IEP-required programs or services. A specialized route may be contracted to a private operator or a parent. Additional information on specialized transportation can be found in the [Specialized Transportation Aid Eligibility and Funding](#) document.

Specialized routes may not serve students without IEPs except in two specific circumstances: the Incidental Benefit Exception, and the Accommodation for Students Experiencing Homelessness or Foster Care, both of which are defined in the “Specialized Transportation Aid Eligibility and Funding” document.

A finding is not required for this compliance requirement if ineligible expenditures are recoded to the correct account, unless the auditor believes the miscoding to be deliberate or the result of a significant and/or ongoing management concern. The finding should indicate whether questioned costs were recoded to the correct (project 019) account.

#### Suggested Audit Procedures

1. If the LEA has specialized transportation expenditures (coded to any Fund 27, project 011 WUFAR account in the 256200 and 256700 series):
  - a. Test payroll records and the general ledger to verify that these are the only routes coded to Fund 27 with project 011.
  - b. Select a random sample of students assigned to specialized transportation routes. The sample should be appropriate to the size of the LEA’s specialized transportation program and history of compliance with this requirement. It should include students receiving specialized transportation to or from school, as well as those served during the school day.
  - c. Test those students to verify they were eligible for specialized transportation:
    - i. If they have an IEP, verify that specialized transportation is listed as a related service in the I-9 section of their IEP, or that the student has a placement or service that would logically require them to receive specialized transportation.
    - ii. If they do not have an IEP, verify that they met the requirements of the Incidental Benefit Exception or the Accommodation for Students Experiencing Homelessness or Foster Care.
      1. If the student was transported under the latter accommodation, verify that they were transported for no more than 20 days, and that any additional costs associated with that student were coded to the LEA’s general fund (Fund 10).

#### 2.2.2.1.6 Compliance Requirement

A student transported on a specialized route supported with Special Education and SAP Aid may only be counted for Pupil Transportation Aid if the student also rode a regular home to school route during the year due to the addition or removal of specialized transportation services listed in the student’s IEP (i.e. student was riding the regular route and the IEP team decided the student should be moved to specialized transportation or vice versa). Transportation needs of special education students is unique to each student as prescribed by each student’s IEP; therefore, it may be possible for an IEP to include both specialized transportation and regular transportation within the school year. A student with an IEP identifying both forms of transportation may also be counted for Pupil Transportation Aid. Students transported on a specialized route for the entire year may not be counted for Pupil Transportation Aid.

A finding is not required for this compliance requirement if the LEA corrects its PI-1547 Pupil Transportation Report to remove students identified by the auditor, unless the auditor believes the erroneous reporting to be deliberate or the result of a significant and/or ongoing management concern. **If a finding is issued, it should be identified under the Pupil Transportation Aid program (state ID #255.107) rather than this program.**

### Suggested Audit Procedures

1. Select a random sample of students assigned to specialized transportation routes coded to Fund 27 with project 011. The sample used for [Compliance Requirement 2.2.3.1.3](#) may be reused.
2. Test whether any students in the sample were counted for Pupil Transportation Aid. If a student was counted for Pupil Transportation Aid, verify whether the student rode a regular home to school route during the year. If a student was improperly counted for Pupil Transportation Aid, determine the mileage and attendance category in which they were reported to the DPI.

#### 2.2.2.1.7 Compliance Requirement

LEAs must have prior written approval from the DPI to purchase a vehicle, or equipment with a unit cost of at least \$10,000, in order for the cost be eligible for aid. There is no similar requirement for IDEA-funded purchases since approval of the budget item fulfills this purpose.

A finding is not required for this compliance requirement if ineligible expenditures are recoded to the correct account unless the auditor believes the miscoding to be deliberate or the result of a significant and/or ongoing management concern. The finding should indicate whether questioned costs were recoded to the correct (project 019) account.

### Suggested Audit Procedures

1. If the LEA has specialized vehicle purchase expenditures (27E 550 256250 011, 27E 550 256300 011, 27E 560 256250 011, or 27E 560 256300 011):
  - a. Verify what was purchased.
  - b. For vehicle(s) purchased, request a copy of the approval letter from the DPI Director of Special Education.
  - c. For equipment purchased, verify whether the unit cost was at least \$10,000 and, if so, request a copy of the approval letter from the DPI Director of Special Education.

#### 2.2.2.1.8 Compliance Requirement

Maintenance costs for a vehicle are eligible for aid only if the vehicle is used exclusively for specialized transportation.

A finding is not required for this compliance requirement if ineligible expenditures are recoded to the correct account unless the auditor believes the miscoding to be deliberate or the result of a significant and/or ongoing management concern. The finding should indicate whether questioned costs were recoded to the correct (project 019) account.

### Suggested Audit Procedures

1. If the LEA has specialized transportation maintenance expenditures (Fund 27, project 011 WUFAR accounts in functions 256500 or 256600 with a 300- or 400-series object):
  - a. Identify the vehicle(s) with maintenance costs coded to those accounts.
  - b. Test whether the vehicle(s) were used exclusively for specialized transportation.

## 2.3 PUPIL TRANSPORTATION AUDIT PROGRAM

### 2.3.1 Background

*State ID Number: 255.107*

Pupil transportation aid for each pupil so transported is determined under the provisions of [Wis. Stat. § 121.58](#). Aids paid include aid for transporting pupils to non-public schools. Although pupils may be eligible for transportation, the pupil must be actually transported at least once during the school year to be included on the transportation report for aid.

The total funds available for pupil transportation aid are appropriated by the Wisconsin Legislature. An amount is paid for each student based on distance transported according to rates in [Wis. Stat. § 121.58\(2\)](#) and [Wis. Stat. § 121.58\(4\)](#).

Transportation Aid is applied for annually through the School Finance Reporting Portal using the fiscal year Pupil Transportation Report (PI-1547) and Pupil Transportation Summer (PI-1547-SS). This report collects the number of pupils transported categorized by the distance from the pupils residence to school using the most commonly traveled direct route.

The auditee should have available as supporting documentation, a listing of pupils transported at least once during the school year with home to school distance using the most direct route for regular school year and summer school year transportation or distance to instructional site for vocational transportation.

### 2.3.2 Compliance Requirements and Suggested Audit Procedures

#### 2.3.2.1 *Activities Allowed or Unallowed/Allowable Costs*

##### 2.3.2.1.1 Compliance Requirement

Regular and summer school transportation aid is provided for pupils transported on home to school routes. Pupils must be transported at the expense of the auditee. Regular transportation costs should be accounted for in the general fund and special education only route costs should be recorded in Fund 27. Note: Specific fund numbers only apply to public school districts.

#### Suggested Audit Procedures

1. Determine that pupils included in the transportation tables are transported at the expense of the auditee. Transportation aid may not be paid if the auditee is being reimbursed through fees charged.
2. Verify that transportation costs have not been allocated from the general fund (Fund 10) to the special education fund (Fund 27) if the district is running only regular education routes. Regular transportation costs should be accounted for in the general fund (Fund10). Note: Specific fund numbers only apply to public school districts.

##### 2.3.2.1.2 Compliance Requirement

A pupil with an IEP who rode a regular home to school route at any point during the school year is eligible to be included in the PI-1547 Pupil Transportation Report count. This includes a pupil who had a change in IEP status requiring that they switch between regular and specialized routes, a pupil who rode a regular route with additional supports (e.g. a bus aide or safety device) specified by their IEP, or a pupil who rode a regular home to school route but also received specialized transportation during the school day for IEP-required services.

Only pupils who exclusively rode a specialized home to school route for the entire school year are ineligible to be included in the PI-1547 count. Transportation costs eligible for state special education aid and are charged to Fund 27 in functions 256250 "Special Transportation - District Operated" and 256750 "Special Transportation - Contracted" and reported in these accounts on the Special Education Annual Report. These include costs of IEP-required supports for a pupil riding a regular home to school route.

### Suggested Audit Procedures

1. Determine that pupils who exclusively rode a specialized home to school route for the entire school year have not been included in the PI-1547 Pupil Transportation Report count.

#### 2.3.2.1.3 Compliance Requirement

Transportation aid is provided for public school pupils transported to vocational programs at a VTAE or to cooperative "66.0301" vocational programs. Transportation aid for these programs is paid to the auditee based on data submitted to the DPI through the school finance internet reporting portal. Note: Very few auditees have vocational transportation aid.

### Suggested Audit Procedures

1. If the LEA has reported vocational pupils transported, determine that pupils are being transported to a vocational program instruction site.

#### 2.3.2.2 Eligibility

##### 2.3.2.2.1 Compliance Requirement

[Wis. Stat. § 121.58\(2\)](#) requires the pupil to be actually transported to receive aid. Although pupils may be eligible for transportation, they should not be included on the transportation report if they are not actually transported.

### Suggested Audit Procedures

1. Determine, document, and evaluate the process used by the auditee to verify that the pupils reported were transported at least once during the school year.
2. Determine that the auditee has maintained reliable source documentation to support the number of pupils reported as actually transported at least once during the school year.
3. Determine and document the auditee's system to count pupils actually transported by modes other than by the auditee's regular transportation routes. For example, parent contracts, city bus, and taxi cab costs for pupils transported at the expense of the auditee should be included in the data reported.

##### 2.3.2.2.2 Compliance Requirement

The auditee may provide regular year transportation for distances of less than two miles. However, pupils transported less than two miles during the regular school year are not counted on the transportation report unless the transportation is being provided as part of an unusually hazardous transportation (UHT) plan filed by the LEA. The most recent UHT plan should be available for review. The PI-1547 will prevent the auditee from reporting in the 0-2 mile category if a UHT plan is not on file with the DPI.

### Suggested Audit Procedures

1. If pupils are shown on the transportation report as being transported in the 0-2 mile category, determine that they are transported in accordance with a UHT plan filed by the LEA with the DPI.
2. Determine if the UHT plan has been properly updated for current conditions. Determine if there has been significant development in the district, such as housing developments, major traffic pattern changes, or a new school building site, that impact busing routes that would impact the UHT plan, if the plan has not been formally reviewed in recent years.

#### 2.3.2.3 Reporting

##### 2.3.2.3.1 Compliance Requirement

The number of pupils claimed for transportation aid is reported to the DPI online through the School Finance Reporting Portal using the fiscal year Pupil Transportation Report (PI-1547). "One-Way" mileage is required to be reported for pupils included in the regular or summer school transportation tables using the most direct usually traveled route.



### Suggested Audit Procedures

1. By using the [SAFR](#), obtain the auditee's most current PI-1547 and PI-1547-SS. The auditor will need to use their previously obtained password. 2r Charter auditors will not have access to the Pupil Transportation reports within the School Finance Reporting Portal. The auditor will need to obtain the reports directly from the school.
2. Document the auditee's procedure to determine "One-Way" mileage. Verify the procedure provides the most direct route from the pupil's residence to the school attended. Determine documented reasons, if any, the district data regarding "One-Way" mileage would differ from auditor calculations of "One-Way" mileage.
3. Trace the pupils reported as transported per the PI-1547 and the PI-1547-SS to the auditee's source documentation.
4. If a transportation contractor is responsible for providing data to the auditee, determine the transportation contractor is providing adequate information as required for the accurate completion of the transportation tables. The transportation contract should identify the contractor's responsibilities to provide data to the auditee, if applicable.
5. Obtain online the auditee's Multi-Year Data Comparison-Reasonability Check. This is available through the "review your answers" link of the PI-1547.
6. Compare the pupils reported as transported to the prior year in total and by category and determine the number of pupils transported in the current year is reasonable.
7. Review the Total Transported during the Regular School Year as a percentage of the September Head Count in the Multi-Year Data Comparison-Reasonability Check. For Independent Charter Schools the percentage will need to be calculated using the Total Transported during the Regular School Year on the PI-1547 divided by the [3<sup>rd</sup> Friday in September Head Count](#).
  - a. Determine that year over year changes in the percentage appear appropriate and reasonable for the circumstances.
  - b. Determine the percentage transported appears reasonable for the geographical profile of the auditee and does not appear to be based on eligibility rather than actual transportation. If it appears unreasonable, inquire what factors may be affecting the percentage. For example, transportation to private school. If necessary, consider additional reasonability tests such as number of buses, capacity of buses, students being counted in a lower category, or number of routes compared to pupils reported as transported.

#### 2.3.2.3.2 Compliance Requirement

Pupils are required to be classified in the PI-1547-SS transportation tables by days *enrolled*. This requires the LEA to have a system for identifying pupils transported by days enrolled for ALL of the summer and/or interim sessions.

The number of pupils enrolled 15 days or less for summer and/or interim session transportation is reported separately from pupils enrolled in excess of 15 days for summer and/or interim session transportation.

### Suggested Audit Procedures

1. Determine, document, and evaluate the process used by the auditee to identify pupils transported by days enrolled for summer and interim session transportation.

#### 2.3.2.3.3 Compliance Requirement

A student who is actually transported at least once will be counted in the mileage category as determined by the auditee on the PI-1547. The determination of the mileage category does not need to be modified for the given school year as long as the student continues residing in the school district. One-Way mileage using the most direct route from the pupil's residence to the school attended is reported on the PI-1547 and the PI-1547-SS.



Pupils transported less than two miles during the regular school year are not counted on the transportation report unless the pupils reside within the boundaries identified in the UHT plan. The district can designate a safe walking route that is not the most direct route, as long as it is not over two miles. If the district has not formally identified a safe route, or there is there is no safe route, and the pupil is walking through the UHT plan area, the UHT plan should be updated.

#### Suggested Audit Procedures

1. Using the listing of pupils transported test at least one pupil in each category on current year tables for regular school year and summer and interim session transportation. If the auditee is running special education only routes, test at least two special education pupils transported. The minimum sample size should be twenty. Test the items selected in the sample for the following:
  - a. Pupils are reported within the correct mileage category. Do not round up the distance.
  - b. Pupils reported as transported in the 0-2 mileage category reside within the boundaries identified in the UHT plan. If a student must walk through part of the UHT plan area to reach their school of attendance because a safe route was not formally identified or did not exist, the district should update their UHT plan.
  - c. Pupils reported in the transportation tables were actually transported at least once during the school year.

## 2.4 ACHEIVEMENT GAP REDUCTION

### 2.4.1 Background

*State ID Number: 255.504*

The objective of the AGR program is to improve academic performance of low-income pupils in participating schools in grades K-3 through the implementation of one of three strategies or combination of the three strategies. These three strategies are to provide professional development related to small group instruction and reduce class size to no more than 18:1 or no more than 30:2 in a combined classroom having at least 2 regular classroom teachers; data-driven instructional coaching for teachers; and data-informed one-to-one tutoring for students at risk of difficulty with math or reading. AGR aid is determined pursuant to a contractual agreement between school districts and the DPI. School districts participating in the program have 5 year contracts with the State and receive aid for each low-income child in the grades served by the program.

### 2.4.2 Compliance Requirements and Suggested Audit Procedures

#### 2.4.2.1 *Activities Allowed or Unallowed/Allowable Costs*

##### 2.4.2.1.1 Compliance Requirement

Wisconsin Statute 118.44 (4)(a) requires the school board to implement one or more of the following strategies in each class in each participating grade at each participating school:

1. Provide professional development related to small group instruction and reduce the class size to one of the following:
  - a. No more than 18.
  - b. No more than 30 in a combined classroom having at least 2 regular classroom teachers.
2. Provide data-driven instructional coaching for the class teachers. The instruction shall be provided by licensed teachers who possess appropriate content knowledge to assist classroom teachers in improving instruction in math or reading and possess expertise in reducing the achievement gap.
3. Provide data-informed, one-to-one tutoring to pupils in the class who are struggling with reading or mathematics or both subjects. Tutoring shall be provided during regular school hours by a licensed teacher using an instructional program found to be effective by the What Works Clearinghouse of the Institute of Education Sciences.

#### Suggested Audit Procedures

1. Obtain the AGR contract and the report submitted to the DPI that is due November 1st that outlines the strategies identified that the school board intends to implement in each participating grade in each participating school.
2. Review the AGR contract and the report submitted to the DPI to determine that the services that the district intends to provide are allowable.
3. Review district records and procedures for determining whether class sizes are consistent with AGR requirements if the district has chosen class size reduction as a strategy. Classrooms must not include class size ratios greater than 18:1 or 30:2 as of the third-Friday count date. Review class attendance lists for K-3 classrooms on the third-Friday count date to ensure compliance.
4. Obtain a printout (labor distribution report) of salaries and benefits paid using AGR funds for purposes of determining AGR teachers.
5. Test teachers charged to the AGR program to determine that they hold the proper license. Please note that only salaries and benefits for properly licensed teachers may be paid using AGR funds.

### 2.4.2.2 Reporting

#### 2.4.2.2.1 Compliance Requirement

Wisconsin Statute 118.44 (4) (b) requires the school board to annually report all of the following to the DPI:

1. Before November 1 of each school year, a brief description of the strategies identified that the school board intends to implement in each participating grade in each participating school.
2. Before the last day of each school year, a brief description of the strategies identified that the school board did implement in each participating grade in each participating school.

#### Suggested Audit Procedures

1. Obtain the AGR reports required by Wisconsin Statute 118.44 (4) (b).
2. Verify that the reports were submitted to the DPI by the proper dates.
3. Inspect the reports to ensure that these contain the proper strategies to be implemented for the November 1<sup>st</sup> report and the strategies implemented for the year-end report.

### 2.4.2.3 Special Tests and Provisions

#### 2.4.2.3.1 Compliance Requirement

Wisconsin Statute 118.44 (4)(c) requires contract requirements to include *Goals*. The school board to provide a description of the performance objectives for the academic achievement of the pupils enrolled in participating grades in each participating school and the formative and summative assessments that will be used to evaluate success in attaining those objectives. The school board and participating schools shall identify specific, measurable, and achievable performance objectives, including reducing the achievement gap in math and reading in each participating grade.

Wisconsin Statute 118.44 (4)(d) requires contract requirements to include *School board review*. Each participating school to present information regarding the school's implementation of the contract requirements under paragraph 118.44 (4) (a), its performance objectives under paragraph 118.44 (4) (c), and its success in attaining the objectives to the school board at the end of every semester of the contract.

#### Suggested Audit Procedures

1. Obtain documentation that the school board has provided a description of the performance objectives for academic achievement and the formative and summative assessments that will be used to evaluate success in attaining those objectives.
2. Obtain documentation that the school board reviewed the progress made on growth objectives at the end of each semester during the fiscal year.

## 2.5 BILINGUAL/BICULTURAL AID

### 2.5.1 Background

*State ID Number: 255.106*

The bilingual/bicultural program is designed to improve the English language comprehension, speaking, reading, and writing ability of a limited-English-speaking pupil. School districts receive reimbursement at a specified percentage rate for eligible costs when operating an approved program authorized under [Wis. Stat. § 115.995](#). Additional information and resources can be found on the [Bilingual-Bicultural Programs](#) webpage.

### 2.5.2 Compliance Requirements and Suggested Audit Procedures

#### 2.5.2.1 *Activities Allowed or Unallowed/Allowable Costs*

##### 2.5.2.1.1 Compliance Requirement

Reimbursement may only be made for expenditures for salaries of personnel participating in and attributable to bilingual-bicultural education programs, special books and equipment used in the programs and other costs approved by the State Superintendent. The program plan of service is approved and reimbursement claimed using form PI-1849 “Plan of Services and Claim- Bilingual/Bicultural Claim.”

#### Suggested Audit Procedures

1. Obtain the claim form PI-1849.
2. Test the personnel expenditures for the following attributes:
  - a. The expenditure is properly supported with original source documentation.
  - b. The expenditure is properly recorded and has a correct account distribution.
  - c. The expenditure is for personnel participating in and attributable to the bilingual-bicultural education program.
3. Test the special books, materials, equipment, and other expenditures for the following attributes:
  - a. The expenditure is properly supported with original source documentation.
  - b. The expenditure is properly recorded and has a correct account distribution.
  - c. The expenditure is for personnel participating in and attributable to the bilingual-bicultural education program.

## 2.6 COMMON SCHOOL FUND AID

### 2.6.1 Background

*State ID Number: 255.103*

Common School Fund Aid is distributed to school districts for the purchase of instructional media center materials and school library computers and related software. It is distributed on a per capita basis according to the school census.

Allocations are calculated by dividing the total Common School Fund income by the total number of children ages 4 through 20 residing in Wisconsin school districts as reported on the school census. The DPI then apportions such amount to each school district based on the number of children shown in the district's census.

Expenditures for library media are reported in Function 222000, Project 031 in the district's financial software.

### 2.6.2 Compliance Requirements and Suggested Audit Procedures

#### 2.6.2.1 *Activities Allowed or Unallowed/Allowable Costs*

##### 2.6.2.1.1 Compliance Requirement

Wis. Stat. § 43.70(3) provides that money generated by the Common School Fund be used for the purchase of library books and other instructional materials for school libraries and for the purchase of instructional materials from the state historical society for use in teaching Wisconsin history. Appropriate records of all purchases under this section shall be kept and necessary reports thereon shall be made to the state superintendent. A list of eligible and ineligible expenditures can be located at [Purchasing Guidelines and WUFAR Budget Codes](#).

Function 222000 of the WUFAR is Instructional Media. A variety of Object Codes can be used within this function, but only items that are eligible Common School Fund purchases should be coded with Project Code 031. The following Objects in Function 222000, Project 031 qualify as eligible instructional media expenditures of Common School Fund Aid:

OBJECT	DESCRIPTION
431	Audiovisual
432	Library Books
433	Newspapers
434	Periodicals
439	Other Media
360	Technology & Software Services (may be coded to 386 if purchased through CESA)
480	Non-Capital Technology

#### Suggested Audit Procedures

1. Obtain the general ledger expenditure detail for Function 222000, Project 031 and the eligible object accounts listed above.
2. Select a sample of expenditures from the general ledger obtained in the previous step.
3. Test the expenditures in the sample selected for the following attributes:
  - a. The expenditure is properly supported with original source documentation
  - b. The expenditure is properly recorded and has a correct account distribution
  - c. The expenditure is an allowable common school fund expenditure

#### 2.6.2.1.2 Compliance Requirement

Wis. Stat. § 43.70(3) allows districts to use up to 100% of the common school moneys received to purchase school library computers and related software if the school board consults with the person who supervises the school district's libraries and the computers and software are housed in the school library. Appropriate records of all purchases under this section shall be kept and necessary reports thereon shall be made to the state superintendent.

Related software is defined by the DPI as software which is pre-installed on the new computers at the time of purchase. Separate purchases of eligible computer software programs should be coded to Object 480, Function 222000, Project 031. Smart boards, printers, LCD projectors and scanners do not qualify as a common school fund expenditure but should still be coded to Objects 581 and 582, Function 222000, Project 031 if housed in the school libraries. Questions regarding qualifying computers and related software should be addressed to the [School Library Consultant on the DPI Lifelong Learning Team](#).

#### Suggested Audit Procedures

1. Review expenditures charged to Function 222000, Objects 581 and 582, Project 031 for purchases of computers and related software which are being housed in libraries of the district. The computer expenditure total reported can also be obtained from the addendum in the annual report.
2. Test the computer and related software expenditures for the following attributes.
  - a. The expenditure is properly supported with original source documentation.
  - b. The expenditure is properly recorded and has a correct account distribution.
  - c. The expenditure is an allowable common school fund expenditure.
3. Obtain certification from the Library Media Specialist confirming the required consultation regarding computer purchases and that they are housed in district libraries.

#### 2.6.2.2 Eligibility

##### 2.6.2.2.1 Compliance Requirement

Common School Fund distributions are made to each district on a per capita basis according to the school census. The school count for K-8 districts is residents at least 4 years old but not yet 14 years old, union high school districts is residents between the ages of 14 and 20, and k-12 districts residents between the ages of 4 and 20. The school district submits school census data as of June 30 via the School Finance Reporting Portal, Non-Financial Data Home.

Wis. Stat. § 120.18(1)(a) allows districts to identify census numbers by utilizing one of two established processes:

1. Perform an actual physical census count
2. Perform a mathematical calculation to determine a school census number

#### Suggested Audit Procedures

1. Obtain the district's signature/certification page and supporting documentation for the school census report.
2. Review procedures used to compile the school census report and evaluate for adequacy.

#### 2.6.2.3 Matching, Level of Effort, and Earmarking

##### 2.6.2.3.1 Compliance Requirement

The total of eligible objects reported for Project 031 must be at least equal to Common School fund revenue, Source 613, "Library Aid."

#### Suggested Audit Procedures

1. Determine eligible expenditures are at least equal to Common School Fund revenue.

#### 2.6.2.4 Reporting Requirements

##### 2.6.2.4.1 Compliance Requirement

Eligible costs are reported in Fund 10 of the annual report in WiSFiP. The addendum is used to compute the amount of common school fund aid remaining and available to the district.

##### Suggested Audit Procedures

1. Obtain the addendum for the district and recompute the amount of common school fund aid remaining for that district.
2. Trace amounts reported in the addendum to the district's general ledger.
3. Verify any unspent Common School Funds are recorded as Restricted Fund Balance in 10B 936130.

##### 2.6.2.4.2 Compliance Requirement

Common School Fund distributions are made to each district on a per capita basis according to the school census. The school district submits school census data as of June 30 via the School Finance Reporting Portal, Non-Financial Data Home.

##### Suggested Audit Procedures

1. Obtain the district's signature/certification page and supporting documentation for the school census report.
2. Trace the census number reported to the DPI to supporting documentation.



## 2.7 PER PUPIL AID

### 2.7.1 Background

*State ID Number: 255.945*

This program provides additional aid to school districts for financing the general education programs of the district. No claim is submitted and there are no eligibility requirements. The aid is paid based on [Wis. Stat. § 115.437](#). This payment is made on the 4th Monday in March.

### 2.7.2 Compliance Requirements and Suggested Audit Procedures

#### 2.7.2.1 *Activities Allowed or Unallowed/Allowable Costs*

##### 2.7.2.1.1 Compliance Requirement

The number of pupils enrolled is defined in [Wis. Stat. § 115.437](#) for the Per Pupil Aid computation. The revenue limit worksheet's three-year average membership is used in this computation. State law specifically excludes students attending the special needs scholarship program. The Per Pupil aid amount is multiplied by the number of pupils enrolled to determine the aid for each district.

#### Suggested Audit Procedures

4. Obtain the Wisconsin Department of Public Instruction's Per Pupil aid eligibility worksheet. The aid eligibility worksheet can be found at <https://dpi.wi.gov/sfs/aid/categorical/per-pupil-aid>.
5. Trace the membership information per the DPI eligibility worksheet to the revenue limit worksheet. The pre-populated revenue worksheet used for this computation can be found at <https://dpi.wi.gov/sfs/aid/categorical/per-pupil-aid>.
6. Recompute the district's Per Pupil aid eligibility amount.

## 2.8 PUBLIC LIBRARY SYSTEMS AID

### 2.8.1 Background

*State ID Number: 255.002*

This aid is used to ensure that access to library resources and services is made available on an equitable basis to all State residents; to enhance the quality of local library staff and services; and to ensure that statewide access to library materials and services is achieved. Aid is paid based on the formula specified in [Wis. Stat. § 43.24](#).

### 2.8.2 Compliance Requirements and Suggested Audit Procedures

#### 2.8.2.1 *Activities Allowed or Unallowed/Allowable Costs*

##### 2.8.2.1.1 Compliance Requirement

Aid is for the operation and maintenance of the system. Annually, a system shall have on file a plan approved by the DPI for the use of aid it will receive. In a federated system, the plan must indicate the funds to be used by the system for system services, and the funds, if any, to be used for distribution among designated libraries in the system. No more than 20 percent of the aid received can be used for administrative purposes.

#### Suggested Audit Procedures

1. Determine that the annual plan has been approved by the DPI.
2. Review the plan and compare to actual aid use for reasonability.
3. Determine that no more than 20 percent of aid received is used for administrative purposes.

#### 2.8.2.2 *Eligibility*

##### 2.8.2.2.1 Compliance Requirement

For a public library system to qualify for and maintain its eligibility for state aid it must provide for:

1. Written agreements to provide, to any resident of the system area, the same library services, on the same terms, that are provided to the residents of the municipality or county that established the member library, except for the group programming preference authorized under s. 43.15 (4) (c) 4., and to provide for the interlibrary loan of materials among all participating public libraries, as evidenced by agreements with those libraries.
2. Backup reference, information and interlibrary loan services from the system resource library, including the development of and access to specialized collections, as evidenced by a written agreement with that library.
3. Referral or routing of reference and interlibrary loan requests from libraries within the system to libraries within and outside the system.
4. In-service training for participating public library personnel and trustees.
5. Electronic delivery of information and physical delivery of library materials to participating libraries.
6. Service agreements with all adjacent library systems.
7. Professional consultant services to participating public libraries.
8. Any other service programs designed to meet the needs of participating public libraries and the residents of the system area, as determined by the public library system board after consultation with participating public libraries.
9. Promotion and facilitation of library service to users with special needs.
10. Cooperation and continuous planning with other types of libraries in the system area, which results in agreements with those libraries for the appropriate sharing of library resources to benefit the clientele of all libraries in the system area.
11. Planning with the division and with participating public libraries and other types of libraries in the area in regard to library technology and the sharing of resources. By January 1, 2000, and by every

5th January 1 thereafter, the public library system shall submit to the division a written plan for library technology and the sharing of resource.

12. That, if the system reimburses a participating public library for the costs of providing interlibrary borrowing services to an individual who holds a valid borrower's card of another participating public library, the reimbursement shall not exceed the actual costs incurred by the public library in providing such services. The DPI shall promulgate rules for determining actual costs for the purposes of this paragraph.

#### Suggested Audit Procedures

1. Verify the above required agreements and written plans exist.

#### 2.8.2.3 Reporting

##### 2.8.2.3.1 Compliance Requirement

A public library system is required to file an annual report and evaluation describing its operations and reporting on its income, expenditures, and programs. The system is also responsible for collecting and disseminating member reports (PI-2401) and reviewing these forms for accuracy. The following forms to accomplish this are prescribed by the DPI:

1. Public Library Annual Report (PI-2401): Required to be submitted by February 15 to system headquarters or to the DPI if a nonsystem library.
2. Public Library System Annual Report (PI-2404) and System Evaluation: Required to be submitted by March 1 to the DPI.

#### Suggested Audit Procedures

1. Review procedures used to prepare reports and evaluate for adequacy.
2. Review reports for completeness of submission.
3. Trace financial and nonfinancial data to support documentation.
4. Review procedures for editing member library reports that determine that system records agree with member library reports.
5. Verify that the reports were submitted by the proper dates.

#### 2.8.2.4 Special Tests and Provisions

##### 2.8.2.4.1 Compliance Requirement

A public library system is required to maintain appropriate public records of the system's financial activities in accordance with accepted accounting practices.

#### Suggested Audit Procedures

1. Review procedures and evaluate for adequacy.

## 2.9 SPARSITY AID

### 2.9.1 Background

*State ID Number: 255.212*

This program provides additional aid to low enrollment, rural school districts where offering a high-quality curriculum poses greater fiscal challenges. A school district is eligible for sparsity aid if it satisfies all the criteria as specified in [Wis. Stat. § 115.436](#).

### 2.9.2 Compliance Requirements and Suggested Audit Procedures

#### 2.9.2.1 *Special Tests and Provisions*

##### 2.9.2.1.1 Compliance Requirement

For a school district to qualify for state sparsity aid it must meet the following criteria.

1. The school district's membership in the previous school year was no more than 745.
2. The school district's membership in the previous school year divided by the school district's area in square miles is less than 10.

#### Suggested Audit Procedures

1. Obtain the Wisconsin Department of Public Instruction's summary worksheet by district. This can be found at <https://dpi.wi.gov/sfs/aid/categorical/sparsity-aid-program>.
2. Trace the membership information per the DPI summary spreadsheet to the FTE report for the proper year found on the school finance reporting portal for the district being audited. You will first have to select the proper district and then select the FTE report.
3. Recompute the number of pupils per square mile for the district you are auditing.

## 2.10 STATE TUITION

### 2.10.1 Background

State ID Number: 255.401

School districts that provide educational services to students residing in certain types of facilities are eligible to receive tuition from the state. A claim may be based upon a district's actual costs for serving those students or a daily rate calculated by the statutory tuition formula. Additional information and resources can be found on the [State Tuition](#) webpage.

### 2.10.2 Compliance Requirements and Suggested Audit Procedures

#### 2.10.2.1 Reporting

##### 2.10.2.1.1 Compliance Requirement

A State Tuition claim may only be submitted for a given student if they reside in an eligible facility, and only for the time during which they reside there and are enrolled for instruction by the district. These procedures are designed to identify only improper excess claiming.

Questioned costs for this compliance requirement are calculated as follows. Use the data on tab F of the PI-1524-ST State Tuition claim workbook for this calculation. A student may be listed on multiple F tabs if they were claimed for multiple eligible facilities. In this case, a calculation is needed for each eligible facility.

<i>Line</i>	<i>Description</i>	<i>Amount</i>
<b>Portion of Costs Questioned</b>		
1	Enter the number of days reported in error. If the student never resided in an eligible facility and/or was never enrolled for instruction, enter the same number as line 2 below (the result on line 3 will be 1.00).	
2	Enter the student's days of instruction given in column H.	÷
3	Divide line 1 by line 2. <b>This is the fraction of the student's tuition in question.</b>	
<b>Fund 10 Questioned Cost</b>		
4	Enter the Fund 10 Exact Cost tuition claimed for this facility (cell R1510).	
5	Enter the total days of instruction for this facility (cell H8).	÷
6	Divide line 4 by line 5.	
7	Enter the number from line 2 above.	×
8	Multiply line 6 by line 7.	
9	Enter this student's total Fund 10 tuition calculated in column U.	+
10	Add lines 8 and 9.	
11	Enter the fraction from line 3 above.	×
12	Multiply line 10 by line 11. <b>This is the Fund 10 questioned cost.</b>	
<b>Fund 27 Questioned Cost</b>		
13	Enter the Fund 27 Exact Cost tuition claimed for this facility (cell R1511).	
14	Enter the number from line 5 above.	÷
15	Divide line 13 by line 14.	
16	Enter the number from line 2 above.	×
17	Multiply line 15 by line 16.	

18	Enter this student's Special Allocable Cost given in column R.	+
19	Enter this student's total Fund 27 tuition calculated in column T.	+
20	Add lines 17 through 19.	
21	Enter this student's Fund 27 deductible receipt calculated in column W.	-
22	Subtract line 21 from line 20.	
23	Enter the fraction from line 3 above.	×
24	Multiply line 22 by line 23. <b>This is the Fund 27 questioned cost.</b>	

### Suggested Audit Procedures

1. Select a random sample of students included in the State Tuition claim.
2. Verify for each student in the sample:
  - a. That they resided at the eligible facility for at least as long as the beginning and ending dates of services indicated in the claim (tab F, columns C and D); and
  - b. That they were enrolled for instruction for at least as many days as the number indicated in the claim (tab F, column H).

#### 2.10.2.1.2 Compliance Requirement

A district must report whether a student residing in an eligible facility had been counted for membership as a resident during the school year. These procedures are designed to identify only improper omission of resident students who had been counted for membership during the school year.

If a student is found to have been incorrectly reported as not counted for membership, the questioned cost is calculated using the data in tab F of the PI-1524-ST State Tuition claim workbook as follows:

- The Fund 10 questioned cost is: Days of Instruction (col. H) × Regular Ed. FTE (col. J) × Fund 10 General Aid Deduction (col. Q).
- The Fund 27 questioned cost is: Days of Instruction (col. H) × Special Ed. FTE (col. I) × Fund 27 General Aid Deduction (col. P).

A student may be listed on multiple F tabs if they were claimed for multiple eligible facilities. In this case, the questioned cost should include all days of instruction for all eligible facilities.

### Suggested Audit Procedures

1. Select a random sample of students included in the State Tuition claim who were listed as not counted for membership (the value in tab F, column G is 1). A student from the sample used for Compliance Requirement 1 may also be included in this sample.
2. Verify that the district had not counted those students for membership.

#### 2.10.2.1.3 Compliance Requirement

A district must have appropriate documentation to support any actual or exact costs claimed.

### Suggested Audit Procedures

1. If the district has expenditures entered on the ALT tab of the PI-1524-ST State Tuition claim workbook, verify the district has documentation to support the data entered.
2. Test individual expenditures by tracing them to the general ledger

#### 2.10.2.1.4 Compliance Requirement

A district must have appropriate documentation to support any special allocable costs claimed for a given student.

#### Suggested Audit Procedures

1. If the district has expenditures entered on the SAC tab of the PI-1524-ST State Tuition claim workbook, verify the district has documentation to support the data entered.
2. Test individual expenditures by tracing them to the general ledger.

#### 2.10.2.1.5 Compliance Requirement

A district must have appropriate documentation to support any daily rates calculated for a special education program and used to determine the tuition being claimed. Contact the DPI consultant administering State Tuition for details on calculating a questioned cost under this compliance requirement.

#### Suggested Audit Procedures

1. If the district has special education program expenditures and days of attendance entered on tab A, lines 57x-69x of the PI-1524-ST State Tuition claim workbook, verify the district has documentation to support the data entered. NOTE: The data used to calculate other daily rates on tab A are finalized from other audited DPI data sources during the approval process. The auditor does not need to test those data.



## 2.11 PROGRAMS WITHOUT A COMPLIANCE SUPPLEMENT

### 2.11.1 Background

The auditor will perform the risk assessment to determine if a program is a state major program based on the requirements of [Section 1.4](#). Programs without a compliance supplement may be considered a state major program and require compliance testing.

Auditors should review the contract with the DPI and program guidance to identify program specific risks and direct and material compliance requirements. In addition, auditors should consider the following:

- The program is new for this auditee or the program’s requirements have substantially changed in recent audit periods.
- The program has complex administrative requirements.
- The auditor identified significant problems in performing the general compliance testing for requirements that are relevant to this program.

### 2.11.2 Compliance Requirements and Suggested Audit Procedures

Auditors will need to identify the applicable compliance requirements and audit procedures for the program. Auditors should consider applying the following considerations:

1. Obtain an understanding of the program by making inquiries of staff, reviewing applications, agreements, and reports, reviewing applicable laws and regulations, and reviewing program guidance issued by the DPI.
2. The contract between the DPI and the auditee explains the nature and purpose of the program and may identify compliance requirements where noncompliance could have a direct and material effect on the program.
3. Uniform Guidance, Appendix XI, Compliance Supplement, Part 7 – “Guidance for Auditing Programs Not Included in This Compliance Supplement,” provides guidance for identifying the compliance requirements to test if no program compliance supplement exists. This guidance is for federal programs; however, it can also be applicable to state programs.

## 3 ADDITIONAL SCHOOL DISTRICT REQUIRED PROCEDURES

### 3.1 COMPLIANCE WITH STATE STATUTES

#### 3.1.1 Background

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.

#### 3.1.2 Suggested Audit Procedures

##### *Budgets*

1. Verify that the budget has been adopted in accordance with State statutory requirements.  
*65.90(1) "Every municipality shall annually...formulate a budget and hold public hearings thereon."*
2. Verify that changes in appropriations have been properly authorized.  
*65.90(5) "...the amount of tax to be levied or certified, the amounts of appropriations...and the purposes for such appropriations...may not be changed unless authorized by a vote of two-thirds of the...governing body."*
3. Verify the prescribed accounting system is used in the budget format.  
*121.05(1) (C) "The estimated budget for the current school year...shall be based upon the uniform accounting system prescribed by the department."*

##### *Accounting System*

4. Verify the District maintains its accounting records in accordance with the WUFAR System.  
*115.28(13) The state superintendent shall "prescribe a uniform financial fund accounting system, applicable to all school districts which provides for the recording of all financial transactions inherent to the management of schools and the administration of the state's school aid programs."*

##### *Expenditures/Disbursements*

5. Verify disbursement orders are not issued in excess of appropriated amounts.  
*120.16(2) "No order check...may be drawn for the payment of which money has not been appropriated according to law."*
6. Verify cash disbursements, except petty cash items, are made by check.  
*120.16(2) "Disbursement from the school district treasury...shall be by order check..."*
7. Verify checks are prepared only on the strength of properly approved vouchers or check requests.  
*120.16(2) "Disbursements...shall be made...after proper vouchers have been filed with the school district clerk."*
8. Verify the check signers are as required by statute.  
*120.16(2) "...no order check...is valid...unless signed by the school district clerk and school district treasurer and countersigned by the school district president."*
9. Verify schedules of approved disbursements are included in the Board minutes.  
*120.11(4) "...the proceedings shall include...a statement of receipts and expenditures in the aggregate."*
10. Verify purchases from district personnel are not in excess of State statutory limitations.  
*946.13 "Contracts in which any single public officer or employee is privately interested that do not involve receipts and disbursements by the (district) aggregating more than \$15,000 in any year."*
11. Verify teachers are contracted in writing.  
*118.21(1) "The school board shall contract in writing with qualified teachers."*
12. Verify teachers are employed in teaching courses in fields for which they are certified.  
*118.19(1) "Any person seeking to teach in a public school...shall first procure a certificate...from the department."*

### Receipts/Revenues

13. Verify all banks used as depositories are authorized by the board.  
*120.12(7) "Designate one or more public depositories in which the money belonging to the school district shall be deposited."*
14. Verify receipts are deposited promptly in District bank accounts.  
*120.16(5) "Immediately upon receipt, deposit the funds of the school district in a public depository designated by the school board under section 120.12(7)."*

### Other Assets

15. Verify investments are in accordance with the regulations prescribed by the Wisconsin Statutes for investments by School Districts.  
*66.0603(1m) School districts may invest any of its funds not immediately needed in any of the following: time deposits, federal government-issued or guaranteed securities, local government bonds, and the local government pooled-investment fund described in Sec. 25.50, or high grade commercial paper.*
16. Verify investments of the debt service fund are made in federal obligations or obligations of the school district.  
*67.11(2) Funds may be invested: "in any outstanding municipal obligations...; in obligations of the United States, local government bonds, and in the local government pooled investment fund under s.25.50."*
17. Verify investment of trust fund assets are in accordance with regulations prescribed by the Wisconsin statutes.  
*24.61(2) the board may invest money belonging to the trust funds in federal government-issued or guaranteed securities, or local government bonds.*

### Capital Projects and Long-Term Borrowing

18. Verify taxes levied for the capital expansion fund are segregated.  
*120.10(10m) "All money raised...pursuant to this subsection shall be deposited...in a separate fund."*
19. Verify expenditures of the capital expansion fund are for authorized purposes.  
*120.10(10m) "Such money shall not be used for any other purpose...except by an authorization...of the electors..."*
20. Verify proceeds of borrowing are used for the purposes for which borrowed.  
*67.10(3) Disbursements from borrowed money "shall be for the purpose...borrowed and for no other purpose."*
21. Verify separate accounting records are kept for proceeds of borrowing.  
*67.10(3) "All borrowed money shall be entered in an account separate and distinct from all other funds."*
22. Verify borrowed funds not needed are closed out to the debt service fund.  
*67.11(1) Revenues from the following sources shall be recorded to the fund as appropriate...Borrowed money...which at any stage are not needed....for the purpose for which the money was borrowed.*
23. Verify any unneeded balance in the debt service fund is accounted for in accordance with the [Transfer of Accumulated Balance](#) guidance.  
*67.11(5) "Any balance in any debt service fund account after all of the municipal obligations...have been paid...shall be carried into the general fund unless transferred as directed by the municipalities' governing body."  
120.10 (10) "Such money shall not be used for any other purpose, except as provided by s. , or be transferred to any other fund except by authorization by a two-thirds majority vote of the total number of electors of the school district."*

24. Verify the district did not incur long-term capital improvement trust fund expenditures prior to 5 years and one day after the creation of the trust fund.  
*120.137(3)(a) A school board may not expend money deposited in a long-term capital improvement trust fund created under sub. (2) for a period of 5 years beginning on the date the trust fund is created.*
25. Verify long-term capital improvement trust fund expenditures were only for purposes outlined in the board approved plan.  
*120.137(3)(b) After the 5-year period described in par. (a), a school board may make expenditures from a long-term capital improvement trust fund solely for the purposes described in the school board's approved long-term capital improvement plan and may not transfer money from a long-term capital improvement trust fund to any other school district fund.*

#### *Temporary Borrowing*

26. Verify the minutes of the Board include authorization for any temporary borrowing.  
*67.12(8) "The school board may borrow money...only upon a recorded resolution adopted by a two-thirds vote of its members."*
27. Verify the temporary borrowing is payable on or before November 1 of the current year.  
*67.12(8) "...the loans shall be repaid on or before November 1..."*

#### *Insurance*

28. Verify insurance coverage is reviewed periodically by qualified individuals to determine its adequacy.  
*120.12(6) "School board shall keep the school buildings, equipment and other property amply insured..."*
29. Verify that the signed certification pages for the following reports are on file at the school district:
- Tax Levy Report
  - Budget Report
  - Annual Report
  - Special Education Annual Report
  - PI-1505 Census
  - PI-1505 Calendar
- 120.18 "...The school district clerk of a common or union high school district shall file a verified annual school district report with the department on forms supplied by the department."*

#### *Sale of Property*

30. Verify the minutes of the Board include approval of the sale property not needed by the school district.  
*120.13(19m) The School board of a common or union high school district may "Sell any property belonging to and not needed by the school district."*

#### *Energy Efficiency Exemption*

31. Verify the minutes of the Board include approval of a resolution authorizing additional revenue limit authority for energy efficiency purposes.  
*121.91 (4) (o) "a school board may adopt a resolution prior to January 1, 2018 to increase the revenue limit otherwise applicable to a school district under §121.91 (2m) by an amount spent by the school district in that school year on a project to implement energy efficiency measures or to purchase energy efficiency products including the payment of debt service on a bond or note issued or at state trust fund loan obtained if certain conditions are met."*
32. Verify expenditures paid with the revenue limit exemption for energy efficiency purposes are for authorized purposes.

*121.91 (4) (o) “a school board may adopt a resolution prior to January 1, 2018 to increase the revenue limit otherwise applicable to a school district under §121.91 (2m) by an amount spent by the school district in that school year on a project to implement energy efficiency measures or to purchase energy efficiency products including the payment of debt service on a bond or note issued or at state trust fund loan obtained if certain conditions are met.”*

33. Verify the district has a board approved performance contract for the energy efficiency project financed with the revenue limit energy efficiency exemption.

*121.91 (4) (o) “the project is governed by a performance contract entered into under s. [66.0133](#)”*

#### *Charter School Authorizer Reporting Requirements*

34. A schedule of operating costs incurred must be included in the audited financial statements if the LEA has costs applicable to the solicitation or evaluation of charter school applications, review and approval of those contracts or other operating costs incurred during the year.

*118.40(3m)(f)(3) The operating costs the school board, entity under sub. (2r) (b), or director under sub. (2x) incurred under pars. (a) to (e), detailed in an audited financial statement prepared in accordance with generally accepted accounting principles.*

## 3.2 COMMUNITY PROGRAMS AND SERVICES AUDIT PROGRAM

### 3.2.1 Background

[Wis. Stat. § 120.13\(19\)](#) provides authority for school boards to establish community programs and services, outside the regular curricular and extracurricular programs for pupils, under such terms and conditions as the school board prescribes. The school board may establish and collect fees to cover all or part of the costs of such programs and services. The school board may not expend moneys on ineligible costs, as defined by developed [Wis. Admin. Code § PI 80](#). Costs associated with such programs and services shall not be included in the school district's shared cost under [Wis. Stat. § 121.07\(6\)](#).

The DPI has established Fund 80 for reporting of community service fund activities. This fund is used to account for activities such as adult education, community recreation programs (e.g. evening swimming pool operation, adult softball leagues), elderly food service programs, day care services, and other programs which are not elementary and secondary educational programs but have the primary function of serving the community. Actual, additional expenditures for these activities, including salaries, benefits, travel, purchased services, etc. are to be included in this fund to the extent feasible.

The district may adopt a separate tax levy for Fund 80. Any tax necessary to operate the Community Service Fund is considered an "operation" levy subject to Wis. Stat. § 120.10(8) and 120.12(3). The Fund 80 levy is an additional levy outside the allowed revenue limit. A Fund 80 levy adds to the district levy above and beyond the revenue limit controlled levies.

The administrative rule for community service activities is [Wis. Admin. Code § PI 80](#). Only Fund 80 expenditures that are eligible costs under state law and the administrative rules will be excluded from a district's shared cost. Ineligible costs, as defined by § PI 80.02, may not be recorded in Fund 80. Fund 80 expenditures determined not to meet established rules must be reported by the auditor to the DPI in form Auditor Aid Certification. A school district's revenue limit will be decreased by the amount of its ineligible expenditures for community programs and services. This first applied to the calculation of a school district's revenue limit for the 2015-16 school year.

The DPI has further guidance and tools on the following webpages that will assist auditors and districts in determining eligible community service fund expenditures:

- <http://dpi.wi.gov/sfs/finances/fund-info/community-service/overview>
- <https://dpi.wi.gov/sfs/finances/fund-info/community-service/faqs>
- <https://dpi.wi.gov/sfs/finances/fund-info/community-service/fund-80>

### 3.2.2 Suggested Audit Procedures

1. Review the requirements of Wis. Stat. § 120.13 (19).
2. Review the definitions of ineligible expenditures in Wis. Admin. Code § PI 80.
3. Obtain from district staff a listing that includes the name, description, and population served for each Fund 80 activity.
4. Inspect the expenditure and activity descriptions obtained from district staff for Fund 80 allowability. Use the [Decision Tree for Fund 80 Community Program or Service Costs](#) as a guide for reviewing the allowability of expenditures and activity descriptions.
5. Determine Fund 10 is reimbursed by Fund 80 for reasonable overhead costs such as utilities, maintenance, cleaning, etc. based on established board policy when District grounds, buildings, or equipment is used for regular curricular and extracurricular programs for pupils to ensure costs of Fund 80 programs and services are not included in the District's shared cost.
6. If buildings and/or equipment funded solely by Fund 80 are used for regular curricular or extracurricular programs, determine Fund 80 is reimbursed by Fund 10 for reasonable overhead

costs such as utilities, maintenance, cleaning, etc. based on established board policy to ensure Fund 80 excludes costs of regular curricular or extracurricular programs.

7. Perform an analytical review comparing current year revenues and expenditures to budgeted and prior year amounts. Document whether variances from the budget and prior years are reasonable. Please note that material expenditure increases should be inspected by the auditor for Fund 80 allowability.
8. Perform an expenditures test.
  - a. Obtain the district's Fund 80 general ledger. Please note that the district may have a batch system that will only show batch totals on the general ledger. This will require the auditor to obtain a labor distribution report, check register, or expenditure distribution report to support the amounts on the general ledger.
  - b. Select a representative sample of non-payroll expenditures coded to Fund 80. The sample size should be appropriate for the population being tested. Individually significant items should be selected for testing.
  - c. Select a representative sample of payroll expenditures coded to Fund 80.
  - d. Obtain the supporting documentation (vouchers, invoices, payroll records, etc.) for each of the expenditures selected for testing.
  - e. Test the items selected in the sample for the following attributes:
    - i. The disbursement is supported by proper documentation.
    - ii. The account distribution for the expenditure is proper.
    - iii. The name, date, and amounts on the general ledger are traceable to the supporting documentation.
    - iv. The disbursement selected is not an ineligible expenditure as defined in Wis. Admin. Code § PI 80.02. Use the [Decision Tree for Fund 80 Community Program or Service Costs](#) as a guide for making that determination.
    - v. The expenditure has been properly approved.
9. Report identified expenditures that do not meet the Fund 80 rules or are considered ineligible by the auditor in the Auditor Aid Certification. If expenditures have been reclassified from Fund 80, auditors **should not** report these expenditures as ineligible in the Auditor Aid Certification. Expenditures reported in the Auditor Aid Certification should also be reported as questioned costs in the "Schedule of Findings and Questioned Costs" in the audited financial statements.



### 3.3 EMPLOYEE BENEFIT TRUST FUND AUDIT PROGRAM

#### 3.3.1 Background

The annual contribution made to an irrevocable employee benefit trust is accounted for in Fund 73. Types of employee benefits that are generally funded in an irrevocable trust and accounted for in Fund 73 are OPEB, Pension, Supplemental Pension-type benefits, and fully funded benefits, such as HRAs and TSAs. A contribution to the trust affects shared cost and state general aid paid the District. A portion of the contribution may or may not be eligible for federal grants and state categorical aid. The objective is to determine whether the District has met requirements for the use and proper accounting of Fund 73. Additional information and resources can be found on the [Employee Benefit Trust Fund](#) webpage.

[Section 3.3.2.1](#) of this audit program is used for benefits included in an actuarial study.

[Section 3.3.2.2](#) is used for benefits not included in an actuarial study. These benefits are fully funded in the year earned for active employee use in retirement (pre-funded) or pay-as-you-go benefits for active employee or retiree current use. These benefits have a defined annual contribution and are not valued in the actuarial study. The fully funded contribution amount must be charged as an employee benefit and associated with the account corresponding to the activities of the active employee and as a pay as you go expense if not prefunded for the retiree. Defined Benefit Payments are eligible for federal grants and state categorical aid as a benefit at the time a contribution for the active employee is made to an irrevocable employee trust. If there are plan forfeitures, the money remains in the trust and future district contributions into the trust should be reduced. The forfeitures are not revenue to the district.

#### 3.3.2 Compliance Requirements and Suggested Audit Procedures

##### 3.3.2.1 *Benefits Included in an Actuarial Study*

###### 3.3.2.1.1 Compliance Requirement

Employee benefits accounted for in Fund 73 must result from an agreement as compensation for employee services that accumulate during employment (which may include enhanced or additional benefits to encourage early retirement). The district's obligation to pay for the benefits must accumulate during employment although the actual benefits are provided and payment for the provided benefits may or may not occur until after employment.

###### *Suggested Audit Procedures*

1. Request initial or updated contract agreements or written policies the district has with employees regarding benefits.
2. Determine what type of benefits are being offered.
3. Review the agreements to determine which individuals or groups of employees (i.e. teachers, support staff, administrators, etc.) are covered.

###### 3.3.2.1.2 Compliance Requirement

The school board must approve the establishment of a trust to hold and disburse resources set aside for employee benefits. The trust may be amended or terminated, but no assets may revert to the District unless all liabilities have been satisfied. Contributions to the trust fund shall be as per written agreements if such agreements specify the district make required contributions to a legally established trust. Plan participants eligible for benefits paid through the trust shall be notified that they may obtain a copy of the trust agreement upon request. Copies of specific documents relating to post-employment benefits must be provided electronically as an e-mail attachment to the DPI. If a district uses fund 73 for an HRA only, the DPI will need to be contacted to allow reporting in the annual financial report.

### Suggested Audit Procedures

1. In the initial year that the trust is established:
  - a. Request a copy of the trust agreement and determine whether the trust agreement is an irrevocable trust designed to hold and disburse resources set aside for employee benefits.
  - b. Ascertain that no assets of the irrevocable trust revert to the District.
  - c. Verify that the district has sent the following information to the DPI for post-employment benefits being funded:
    - i. Most Recent Actuarial Valuation or Other Acceptable Cost Method Calculation
    - ii. Employee Benefit Trust Fund Agreement and any amendments
    - iii. Legal Opinion
    - iv. Board Approval
2. In subsequent years:
  - a. Inquire whether any amendments have been made to the trust documents. If the trust has been amended, review the amendment, and determine whether the trust still meets the DPI requirements noted above.
  - b. Verify that the district has sent the Most Recent Actuarial Valuation or Other Acceptable Cost Method Calculation to the DPI for post-employment benefits being funded.
  - c. Review the trust agreement for any required contribution. If the District is required to contribute per the trust agreement, ascertain whether they have met that requirement. This will generally apply to HRAs.
  - d. Through inquiry, determine how the district informs plan participants eligible for benefits paid through the trust they are able to obtain a copy of the trust agreement. (i.e. employee bulletin, e-mail, note included in a pay stub, letter)

#### 3.3.2.1.3 Compliance Requirement

The district must consult with appropriate professionals regarding Internal Revenue Service and other regulatory agencies filing and reporting requirements applicable to the trust. The district shall determine that the trust has met all such requirements.

### Suggested Audit Procedures

1. Obtain any correspondence or information the District has received regarding IRS and other regulatory agencies filing and reporting requirements applicable to the trust. Determine whether the District has met any (if applicable) filing and reporting requirements.

#### 3.3.2.1.4 Compliance Requirement

The contribution to the trust is a district expenditure that must be budgeted for in the districts' budget. If it is determined at year end that additional funds are to be placed in the trust, the budget may be amended, and additional funds contributed to the trust at that time.

### Suggested Audit Procedures

1. Verify that the contribution to the trust was included in the budget and if necessary, amendments to the budget for a year-end contribution have been made.

#### 3.3.2.1.5 Compliance Requirement

Physical segregation of trust assets must be made. The Trust Fund may not be merely an accounting shell consisting of a fund on the district's accounting records. The trust assets cannot be used for purposes other than to provide benefits for which the trust was established.

If retiree benefits are paid from district funds throughout the year, a "Due from Fund 73" receivable should be set up at the time of the vendor payments. The retiree costs should never be an expenditure to the district and the trust must make a cash payment to reimburse the district for these costs.

If retiree plan members pay a portion of their benefits, these revenues should be deposited directly into the trust, Source 952. If the district receives payments from retirees, a "Due to Fund 73" liability should be set up. The district should make a cash payment to Fund 73 for these revenues. Fund 73 OPEB activity should not be revenues or expenditures to the district. Some retirees pay the insurance company directly and this would not apply.

#### Suggested Audit Procedures

1. Determine that separate cash/investment accounts are maintained in the trust name and not pooled with district cash.
2. Verify that the full contribution is physically made to the trust and the retiree benefits are paid from the trust, not just an accounting entry. The amount transferred to the trust should equal the amount charged to Object 218.
3. If a retiree pays a portion of their benefits, verify that it is either deposited directly into the trust, held in a liability account and later a cash payment to the trust, or the retiree makes payment directly to the benefit provider. Retiree receipts and payments should never be included as expenditures or revenues of the district, they are trust activity.
4. Obtain or prepare a summary of the account(s) activity for the year ended. Review the activity to determine that it is trust related only.
5. Confirm ending account balance information with the financial institution.

#### 3.3.2.1.6 Compliance Requirement

The district must fund contributions, i.e. make payment physical cash payment to the trust, within 30 days following June 30 to be included as an expenditure for that fiscal year ending June 30.

A contribution amount up to the ADC must be equitably allocated and reported as an employee benefit (218 object) and associated with the account corresponding to the activities of the employee. If the contribution exceeds the ADC, the amount in excess of the ADC is coded to Function 292000, Object 218. The amount in excess of the ADC can be allocated to the employee's funds or can all be in fund 10, as long as that method is consistently used year after year. The amount in excess of the ADC is not eligible for special education categorical aid or federal grant reimbursement.

#### Suggested Audit Procedures

1. Verify that the contribution left the District's cash or investment account on or prior to July 30th.
2. Trace the transfer or check to the bank statement to verify it timely cleared the bank.
3. Verify that the contribution up to the ADC is equitably allocated to the Fund, Function and Project of all active employee plan members. Contributions to the trust based on an actuarial study are coded to Object 218. See compliance requirement 7 for special education categorical aid eligibility.
4. Compare the contribution amount to the ADC amount. If the contribution amount is more than the ADC amount, verify that the difference (amount in excess of the ADC) is accounted for in function 292000, object 218 and not individual employee functions.

#### 3.3.2.1.7 Compliance Requirement

State special education categorical aid, per WI statute 115.88(1), high-cost special education categorical aid, per WI statute 115.888, and state tuition categorical aid, per WI statute 121.79 are based on prior year expenditures incurred. These expenditures include salary and salary related costs for specified staff employed.

For the portion of a contribution that is allocated to employees as a salary related cost to become state categorical aid eligible (project 011), the total contribution must meet the following requirements:

1. For contributions made for an amount less than or equal to the ADC determined amount the following apply:

- a. Eligible costs are to be allocated to special education and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such categorical awards and other activities.
  - b. Contributions made in first fiscal year are eligible for categorical aid up to the ADC. Contributions made in second fiscal year for which the trust is funded, and each year thereafter, must meet at least one of the following criteria:
    - i. Equal or exceed the ADC amount as determined by actuarial valuation.
    - ii. Exceed current year expenditures paid from trust by 5% (expenditures will be determined by the total amount withdrawn from the trust for retirees inclusive of implicit rate subsidy)
    - iii. Rolling three-year contribution exceeds rolling three year expenditures paid from trust by 5% (expenditures will be determined by the total amount withdrawn from the trust for retirees inclusive of implicit rate subsidy)
2. The following contributions to the trust fund are not eligible for state categorical aid and should be coded to function 292000, object 218.
- a. Contributions determined by using a "terminal" method where the currently determined value of an individual's future benefits is contributed to the Trust Fund at the time of employment termination, retirement or benefit commencement.
  - b. Contributions, although computed on the basis of the ADC, that are made only for a selected group of employees eligible for the benefit. An example is making a contribution to the Fund based on the ADC for special education employees only.
  - c. Contributions in excess of the ADC to the extent that an unfunded liability exists. Contributions in excess of the unfunded actuarial accrued liability (UAAL) plus normal cost must be recorded as a deferred charge against future year contributions.

#### Suggested Audit Procedures

1. For the contribution amount that is less than or equal to the ADC amount, determine whether or not it meets one of the criteria for state categorical eligibility. Refer to the Excel Worksheet to Determine Aid of Fund 73 available on the [Employee Benefit Trust Fund](#) webpage.
2. If the contribution does not meet any of the three criteria to be eligible for special education categorical aid, verify that the contribution amounts allocated to fund 27 are not coded to project 011. It is possible that they could be coded to a federal grant if the employee was funded by the grant. Most commonly the costs, if one of the criteria were not met, would be coded to the non-aidable Project 019.

#### 3.3.2.1.8 Compliance Requirement

Upon establishment and funding of an employee benefit trust, a district has elected to no longer record cost on the "pay as you go" method. Therefore, all current retiree costs that were funded should be paid by the trust, not by general operating funds. Only in the first year that a trust is established and funded, a district may have expenditures reported both on the "pay as you go" and "when earned". If accumulated sick leave is converted upon termination into dollars to use towards health insurance, the payments would appropriately be made from Fund 10 and the implicit rate subsidy would apply to both amounts paid from the trust and the accumulated sick leave funded amounts.

No withdrawals from the trust may be made for retiree benefits paid by the general fund prior to the date the trust was established. Only benefits paid to current retirees on or after the date the trust was established may be paid from trust funds.

If retirees remain on a district's health insurance plan, it is likely there will be an implicit rate subsidy which needs to be paid in cash from the trust to the district. A few exceptions that would cause a district to not

have an implicit rate subsidy pay back include self-insured plans that pay exact claims, WI ETF State Group Insurance (community rated plan), separately rated plans or immaterial implicit rate subsidies. In Fund 73, the implicit rate subsidy payment from the trust to the district should be coded Object 994.

The implicit rate subsidy receipt into district funds will reduce the health insurance costs of the district. This is a credit to Object 241 and must be allocated to all active employee plan members who receive health insurance in the same manner as the allocation of the contribution into the trust.

#### Suggested Audit Procedures

1. If the trust was established during the year, determine the date the trust was established by reviewing the trust document.
2. Verify that any benefits paid from the trust were benefits incurred subsequent to this establishment date. No benefits incurred prior to the trust date should be reimbursed from the trust.
3. If this is not the first year of the trust, verify that retiree benefits are being paid from the trust and not district operating funds.
4. If retirees remain on the districts health insurance plan, verify that retiree benefits being paid from the trust include the implicit rate subsidy unless the health insurance plan meets one of the exceptions listed above.
5. If retirees remain on the district's health insurance plan, verify that the implicit was allocated as a credit to Object 241 for active employee plan members with health insurance.

#### 3.3.2.1.9 Compliance Requirement

Additional reporting at the annual meeting (common or union high school district) or public budget hearing (unified school district) is required of ALL districts that have established a trust (fund 73) to provide for post-employment health care benefits, provided either separately or through a defined benefit pension plan, and other post-employment benefits provided separately from a defined benefit pension plan.

#### Suggested Audit Procedures

1. Review minutes from the annual meeting or public budget hearing to determine whether the district met the reporting requirement. The reporting requirements should include:
  - a. Amount in the trust.
  - b. Investment return earned since last annual meeting.
  - c. Total of disbursements made since last annual meeting.
  - d. Name of investment manager if investment authority has been delegated.

#### 3.3.2.2 Benefits Not Included in an Actuarial Study

##### 3.3.2.2.1 Compliance Requirement

Districts may make defined contributions for HRA, TSA or other benefits that are fully funded in the year earned. These defined contribution benefits may be contributed into the employee benefit trust and may not revert back to the district.

Physical segregation of trust assets must be made. The trust fund may not be merely an accounting shell consisting of a fund on the district's accounting records. The trust assets cannot be used for purposes other than to provide benefits for which the trust was established.

#### Suggested Audit Procedures

1. In the initial year that the trust is established:
  - a. If the district only uses fund 73 fully funded HRAs, verify that the district has contacted the DPI to allow use of fund 73.
  - b. Request a copy of the trust agreement and determine whether the trust agreement is an irrevocable trust designed to hold and disburse resources set aside for employee benefits.

- c. Determine that separate cash/investment accounts are maintained in the trust name and not pooled with district cash.
  - d. Ascertain that no assets of the irrevocable trust revert to the District.
2. In subsequent years:
- a. Inquire whether any amendments have been made to the trust documents. If the trust has been amended, review the amendment, and determine whether the trust still meets the DPI requirements noted above.

#### 3.3.2.2.2 Compliance Requirement

District payments to a Health Reimbursement Account (HRA) that exceed the exact medical claims for the year, Tax Sheltered Annuity (TSA) or other defined benefit contributions that are funded fully each year for the amount earned in that year are typically not included in an actuarial study and have no unfunded liability. This includes OPEB benefits that are not included in the actuarial study but are prefunded as active employee benefits for use in retirement (Object 219), OPEB benefits on the pay as you go basis for current use (Function 292000, Object 290), and HRA for active employees for current use (Object 249). If prefunding retirement or for active employee current use, defined contributions should be allocated to the active employee's fund, function and project.

Contributions to the irrevocable employee benefit trust for defined contribution plans should be made in accordance with that plan. Districts should contribute the required amount per employee or retiree each year based on the plan agreement.

The district must fund contributions, i.e. make payment physical cash payment to the trust, within 30 days following June 30 to be included as an expenditure for that fiscal year ending June 30.

#### Suggested Audit Procedures

1. Verify that the contribution left the District's cash or investment account on or prior to July 30th.
2. Trace the transfer or check to the bank statement to verify it timely cleared the bank.
3. Compare the actual contribution amount to the benefit agreement document and verify the amount contributed is the required amount per individual.
4. Verify that the contributions are appropriately reported to individual employee fund function, object and project, if allowable. Various HRA & HSA examples are available in the [Health Reimbursement and Health Savings Account](#) document.
5. Confirm ending account balance information with the financial institution.

#### 3.3.2.2.3 Compliance Requirement

The district must consult with appropriate professionals regarding Internal Revenue Service and other regulatory agencies filing and reporting requirements applicable to the trust. The district shall determine that the trust has met all such requirements.

#### Suggested Audit Procedures

1. Obtain any correspondence or information the District has received regarding IRS and other regulatory agencies filing and reporting requirements applicable to the trust. Determine whether the District has met any, if applicable, filing and reporting requirements.

#### 3.3.2.2.4 Compliance Requirement

The defined contribution to the trust is a district expenditure that must be budgeted for in the districts' budget.

#### Suggested Audit Procedures

1. Verify that the contribution to the trust was included in the budget and if necessary, amendments to the budget have been made.

## 4 ILLUSTRATIVE EXAMPLES

### 4.1 SELF-FUNDED INSURANCE FOOTNOTE

#### SELF-FUNDED INSURANCE PROGRAM

On \_\_\_\_\_ (date), 20\_\_, the District established a self-funded health and dental benefit plan for its employees. The Plan administrators, \_\_\_\_\_ (administrator) and \_\_\_\_\_ (administrator), are responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending \_\_\_\_\_ (date).

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund of the District.

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$\_\_\_\_\_ per individual and/or 125% of the annual estimated claims as provided by \_\_\_\_\_ (administrator) \_\_\_\_\_ (other). For the year ended \_\_\_\_\_ (date), 20\_\_, the aggregate claim limit was \$\_\_\_\_\_. The District has no stop-loss coverage for dental care coverage of the Plan.

On June 30, 20\_\_, the District has reported a liability of \$\_\_\_\_\_, which represents reported and unreported claims which were incurred on or before June 30, 20\_\_, but were not paid by the District as of that date. This amount consists of claims reported to the District by the Plan administrator of (\$\_\_\_\_\_), claims reported to the Plan administrator but not the District of (\$\_\_\_\_\_), and claims which were not yet reported to either the Plan administrator or the District of (\$\_\_\_\_\_). The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 20\_\_ and June 30, 20\_\_ are as follows:

	Year Ended June 30, 20__	Year Ended June 30, 20__
Estimated Claims Outstanding July 1	\$	\$
Current Year Claims and Changes in Estimates		
Claim Payments		
Estimated Claims Outstanding June 30	\$	\$

#### INFORMATION ABOUT SELF-FUNDED INSURANCE FOOTNOTE

1. This footnote must be completed for both stand-alone self-funded plans and jointly self-funded plans.
2. For plans that are jointly self-funded, one certification may be prepared for use by all participating Districts.
3. Questions regarding this footnote may be directed to the Office of the Commissioner of Insurance at [Richard.Wicka@wisconsin.gov](mailto:Richard.Wicka@wisconsin.gov).



## 4.2 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Please note auditors may need to modify the example as needed to reflect the auditee’s circumstances.

### EXAMPLE SCHOOL DISTRICT SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 20XX

#### A. Summary of Auditors Results

##### Financial Statements

Type of auditor’s report issued in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to the financial statements? No

##### Federal Awards

Internal control over major federal program(s):

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor’s report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)? No

Identification of major state programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	-------------------------------------------

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? Yes

##### State Awards

Internal control over major state program(s):

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor’s report issued on compliance for major state programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the *State Single Audit Guidelines* or *Wisconsin Public School District Audit Manual*? No

Identification of major state programs:

**State ID Number                      Name of State Program**

Dollar threshold used to distinguish between type A and type B programs: \$250,000

**B. Financial Statement Findings**

No matters were reported.

**C. Federal and State Award Findings and Questioned Costs**

No matters were reported.

**C. Federal and State Award Findings and Questioned Costs**

No matters were reported.

**D. Other Issues**

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines?

Department of Public Instruction No

Was a management letter or other document conveying audit comments issued as a result of this audit? No

Name and Signature of Partner \_\_\_\_\_  
Date of Report \_\_\_\_\_

## 4.3 AUDITOR AID CERTIFICATION ATTESTATION REPORT SAMPLE

### **Independent Accountant's Report**

Board of Education  
School District of \_\_\_\_\_

We have examined the aid certification data of the School District of \_\_\_\_\_ (the "District") as presented in the "Auditor" column of the Auditor Aid Certification which was filed by us on the internet with the Wisconsin Department of Public Instruction ("WDPI") for the year ended June 30, 20\_\_ . The District's management is responsible for the aid certification data presented in the "District" column which was reported by the District on the internet to WDPI on the District Aid Certification in accordance with (or based on) reporting requirements established by the WDPI. Our responsibility is to express an opinion on the aid certification data of the District based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the aid certification data of the District is in accordance with (or based on) the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the aid certification data of the District. The nature, timing, and extent of procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the aid certification data of the District, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

[Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria.]

[Additional paragraph(s) may be added to emphasize certain matters relating to the attestation engagement or the subject matter.]

In our opinion, the aid certification data of the District presented in the column titled "Auditor" on the accompanying copy of internet Auditor Aid Certification is presented in accordance with (or based on) the reporting requirements established by the WDPI, in all material respects.

This report is intended solely for the information and use of the District and the WDPI in determining state aid eligibility for the District and is not intended to be and should not be used by anyone other than these specified parties.

(Signature)  
Certified Public Accountants  
Date (Use date of filing Internet form Auditor Aid Certification)

## 5 OTHER GUIDANCE AND INSTRUCTIONS

### 5.1 GAAP TO DPI REGULATORY DEPARTURES

School Districts are required to complete the Annual Report. The auditor is required to submit the Auditor Aid Certification and the Auditor Fund Balance Report. The Aid Certification and Fund Balance Report are due no later than the last Friday before September 15<sup>th</sup>. The Annual Report is due no later than the following Friday.

The DPI reports must be completed in accordance with generally accepted accounting principles (GAAP) related to fund accounting except for the instances outlined below. In limited circumstances, the DPI allows school districts to depart from GAAP for DPI reporting purposes. If the district is reporting an approved GAAP to DPI Regulatory Departure, the “Regulatory Fund Balance (DPI) column of the Fund Balance Report must tie to the District’s Annual Report and the “Fund Statements Fund Balance (GAAP)” column of the Fund Balance Report must tie to the District’s submitted fund financial statements. Additionally, the Aid Certification would report the regulatory balances as it must tie to the Districts Annual Report.

Current DPI approved GAAP to regulatory departures are listed below to determine if a district’s GAAP departure is appropriate.

- For regulatory purposes, districts are allowed to record bid premiums in excess of the current year debt service payments for the issue generating the bid premium as a liability in account 816900 in the year of receipt. The bid premium must be recognized in Source 968 in the subsequent year.
- For regulatory purposes, Districts may consider cash transfers to sinking funds as debt expenditures in the year of the transfer only for Q-Bonds issued from 2008 to 2011.
- Unrealized gains and losses are not currently allowable account combinations in the governmental funds in the WUFAR. For regulatory purposes, the district may record a departure for not recording governmental funds unrealized gains and losses. NOTE: The account combinations have been added for FY22. Therefore, this will no longer be an approved difference after FY21.
- For regulatory purposes, grant revenue from the DPI received after the period of availability must be recorded as revenue in the fiscal year of the audit rather than a deferred inflow of resources.
- Unique accounting circumstances discussed and approved by the DPI. Please [contact a School Financial Services Team Auditor](#) prior to reporting GAAP to Regulatory Departures not included above.

## 5.2 AUDITOR AID CERTIFICATION INSTRUCTIONS

School Districts are required to complete the Annual Report. The auditor is required to submit the Auditor Aid Certification and the Auditor Fund Balance Report. The Auditor Aid Certification and the Auditor Fund Balance Report are due no later than the last Friday before September 15<sup>th</sup>. The Annual Report is due no later than the following Friday. The Auditor Aid Certification and the Auditor Fund Balance Report are completed through WiSFiP.

Instructions for completing the Auditor Aid Certification and the Auditor Fund Balance Report will be posted to the [WISEdata Finance and WiSFiP](#) webpage once available.

If you have additional questions, please [contact a School Financial Services Team Auditor](#).

### 5.3 INSTRUCTIONS FOR ACCESSING CARS REPORT

Instructions for Accessing the Commodity Allocation and Receipt Summary (CARS) Report to Obtain the Value of USDA Foods (Commodities) Received:

1. Access the [Wisconsin USDA Foods Ordering System](#) webpage.
2. Each agency will need to use their agency specific *User ID* and *Password*. The *User ID* should be the same *User ID* that is used for the National School Lunch Program (NSLP) fiscal claim system (agency code). The *Password* should also be the same *Password* used for the NSLP fiscal claim system (four-digit password).
3. Once logged in, there will be a message board. To move on from the message board, click on the “Continue” button that is located at the bottom of the message board.
4. Select the *Program Year* by clicking on the desired *Program Year*. The *Program Year* is listed by the state fiscal year.
5. If the agency also participates in the Summer Food Service Program (SFSP), make sure that agency has selected the NSLP Program. The Program is listed on the right-side, below the web tool bar and above the *School Food Authority Summary* portion of the system. To change Programs, click on the word “Program” and select the desired program by clicking directly on the initials of the desired program.
6. Below the web tool bar and above the *School Food Authority Summary* portion of the system on the left-side, the following words will be listed: “Summary, Allocations, Orders, Reports, and Resources.”
7. Click on the word “Reports.”
8. Click on the words “CARS Report.” The CARS Report will now be displayed.
9. To print a copy of the CARS Report, click on the “Print” button located on the web tool bar. Depending on the web-browser utilized, a partial CARS report may print. Additional [instructions for printing based on the web-browser](#) are available.
10. The total value of USDA Foods received is at the bottom of the CARS Report and is labeled as “Total Value Received: Entitlement, Bonus, DoD, UNPFV and Raw Product.”