

Appendix to the State Single Audit Guidelines for Programs from the Department of Public Instruction



2007 Revision

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1 Appendix Revisions

1.1 Revisions made in December 2007

The following are notable changes made to this appendix in December 2007:

- Added clarification regarding the testing of Type A programs with expenditures exceeding \$100,000. These programs should be tested at least once every 3 years as a Type A program.
- General Aids Audit Program changes were numerous. State ID #255.20X
- Special Education and School Age Parents Aid audit program changes were numerous. State ID #255.101.

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2 Introduction

This document is part of the *State Single Audit Guidelines*, and it should be used only in context of the *Guidelines* as a whole. The *Guidelines* consist of two parts: the main document, which describes the state’s single audit policy in general terms, and the department-specific appendices, which detail audit requirements for programs from the respective departments. An auditor planning an audit needs to consult the main document and the appendices for each of the departments that provided funding to the auditee. For example, if the auditee received funding from the Department of Workforce Development (DWD) and the Department of Public Instruction (DPI), the auditor will need the main document, the DWD appendix, and the DPI appendix. The main document and all appendices are online at www.ssag.state.wi.us.

2.1 Audit requirement for DPI programs

Audits for Wisconsin school districts will be in accordance with standards prescribed by the department. These standards are:

- *State Single Audit Guidelines* – School Districts that have audits in accordance with OMB Circular A-133 “Audits of States, Local Governments, and Non-Profit Organizations” and that receive more than \$25,000 in department funds, need to have audits in accordance with the *State Single Audit Guidelines*, including this appendix to the *Guidelines*.
- *Wisconsin Public School District Audit Manual*—School districts with designated major state programs must have an audit of compliance with the requirements applicable to those designated state programs and must also issue a report on its system of internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*.

2.2 Programs subject to an audit

The Department of Public Instruction has not excluded any of its programs from audit coverage.

2.3 General compliance requirements

The Department of Public Instruction has identified General Compliance Requirements ([Section 2](#)) that are to be included in all audits of entities that receive funding from the department and that are audited under the *State Single Audit Guidelines*. The compliance testing must be performed whether or not the auditee has major programs from the department.

2.4 Designated state major programs

The Department of Public Instruction has designated certain programs to be state major programs (see Section 3.4 of the Main Document, online at www.ssag.state.wi.us) when agencies receive these programs directly from the department. In the parlance of OMB Circular A-133, the department considers these programs to be Type A programs that cannot be treated as low risk programs. Therefore, these programs are to be tested as major programs in all audits for which the auditee receives funding for these programs directly from the department:

Designated major programs

- [Section 3.1](#) General Aids
- [Section 3.2](#) Special Education and School Age Parents Aid

2.5 Designated Type A programs

The Department of Public Instruction has designated one program regardless of its amount to be a Type A program (see Section 3.4 of the Main Document, online at www.ssag.state.wi.us). However, other state programs are also considered Type A if expenditures under those programs exceed \$100,000. Other Type A programs must be tested at least once every 3 years.

Designated Type A program

- [Section 3.3](#) Pupil Transportation Aid

2.6 Letter notification

The Department of Public Instruction requires a complete Single Audit Report rather than letter notification.

2.7 Funding sources

Information on federal and state funding sources for programs from the Department of Public Instruction is online at www.ssag.state.wi.us.

2.8 Department information

The website for the Department of Public Instruction, <http://www.dpi.wi.gov>, provides information concerning the department's programs, including grant administration and auditing documents.

2.9 Effective date

This revision of the *Appendix to the State Single Audit Guidelines for Programs from the Department of Public Instruction* is effective for audits of years ending on or after December 31, 2006.

2.10 Contact the department

Questions or comments on this appendix to the *State Single Audit Guidelines* can be referred to the School Financial Services Team auditors. In addition, audit reports should be sent to the office at the following address:

State of Wisconsin
Department of Public Instruction
125 S. Webster Street
P.O. Box 7841
Madison, WI 53707-7841

Contact person: Gene Fornecker, CPA
Telephone: (608) 267-7882
E-mail: eugene.fornecker@dpi.state.wi.us

3 General requirements

The Department of Public Instruction has identified several requirements that are applicable to more than one program. These general requirements must be tested as part of all audits involving funding from the department, whether or not the auditee has major programs or Type A programs from the department.

Section 2.1	Insurance
Section 2.2	Budgets
Section 2.3	Expenditures/Disbursements
Section 2.4	Receipts/Revenues
Section 2.5	Other Assets
Section 2.6	Temporary Borrowing
Section 2.7	Accounting System
Section 2.8	Capital Projects and Long-Term Borrowing

3.1 Insurance

Compliance requirement(s)

Adequate insurance coverage must be maintained by school districts to protect against potential losses. State Statute 120.12(6) requires that all school buildings, equipment and other property be amply insured. If there are no funds in the school district treasury sufficient to pay the premium, the school board may execute a note for that purpose.

Suggested audit procedures(s)

Review insurance coverage in effect during the year to determine sufficiency of coverage. Discuss district procedures for determining adequacy of coverage and frequency of reviews and modifications.

3.2 Budgets

Compliance requirement(s)

State Statute 65.90 requires every school district to "... formulate a budget and hold public hearings thereon."

Suggested audit procedure(s)

- Verify that the budget has been adopted in accordance with State statutory requirements.
- Verify that changes in appropriations have been properly authorized.
- Determine that the prescribed accounting system is used in the budget format.

3.3 Expenditures/Disbursements

Compliance requirement(s)

School district expenditures must meet various statutory provisions:

- State Statute 120.16(2) prohibits disbursement orders from being issued in excess of appropriated amounts.
- State Statute 946.13(2)(a) prohibits purchases from district personnel in excess of \$15,000 on an annual basis.
- State Statute 118.21(1) requires teachers to have written contracts with the district.
- State Statute 118.91(1) shall employ only teachers teaching courses in fields for which they are certified.
- State Statute 120.16(2) requires that disbursements be made by checks signed by only authorized persons, and only after vouchers have been filed with the school district clerk.
- State Statute 120.11(4) requires an approved listing of disbursements be included in the Board minutes.

Suggested audit procedure(s)

Perform a test of the above statutory provisions on a randomly selected sample of expenditures of the district.

3.4 Receipts/Revenues

Compliance requirement(s)

School districts must use board-designated depositories and receipts shall be deposited on a timely basis.

Suggested audit procedure(s)

Determine whether the school district:

- Is using only bank depositories properly approved by the school board by reviewing minutes of school board meetings to determine authorized depositories.
- Is depositing receipts on a timely basis by performing a test of receipts on a randomly selected number of district bank deposits.

3.5 Other Assets

Compliance requirement(s)

Determine that the school district has invested its funds only in investments authorized by state statute 66.04(2).

Suggested audit procedure(s)

Review district investment transactions during the year to ensure compliance with statutory regulations.

Compliance requirement(s)

Debt service fund assets may be invested "...in any outstanding municipal obligations...; in obligations of the United States; in the local government pooled investment fund under s.25.50."

Suggested audit procedure(s)

Review investments of the debt service fund during the year to determine compliance with statutory regulations.

Compliance requirement(s)

The school board "...shall annually make an inventory of the school district property."

Suggested audit procedure(s)

Determine that an annual inventory of district property has been made.

3.6 Temporary Borrowing

Compliance requirement(s)

State statute 67.12(8) allows a school district to borrow money only upon a recorded resolution adopted by a two-thirds vote of its members. The temporary borrowing is payable on or before November 1 of the current year.

Suggested audit procedure(s)

- Review the minutes of board meetings to ensure authorization for borrowing.
- Review temporary borrowing loan document to ensure maturity date is no later than November 1.

3.7 Accounting System

Compliance requirement(s)

The school district must maintain its accounting records in accordance with the system prescribed by the state superintendent.

Suggested audit procedure(s)

Review the school district's accounting records to ensure compliance with the system prescribed by the state superintendent.

3.8 Capital Projects and Long-Term Borrowing

Compliance requirement(s)

State statute 120.10(10m) prescribes the rules concerning a Capital Expansion Fund for a school district. All funds raised pursuant to s.120.10(10m) must be deposited in a separate fund and such funds shall not be used for any purpose except for its originally intended authorized purposes.

Suggested audit procedure(s)

Determine that all taxes levied for the Capital Expansion Fund are deposited into a segregated fund.

Review a sample of expenditures charged to the Capital Expansion Fund to determine that they have been expended for their intended purpose.

Compliance requirement(s)

Proceeds of all long-term borrowings shall be kept in separate accounts from other funds and their use shall be restricted to the purpose for which they were borrowed. All transactions related to borrowing proceeds shall be segregated in a separate fund separate and distinct from the General Fund. Any borrowed funds not needed shall be closed out to the district's Debt Service Fund.

Suggested audit procedure(s)

Review district records regarding new long-term borrowings. Trace district deposits of proceeds in separate bank accounts in a segregated fund. Test a sample of disbursements charged from those proceeds to ensure that borrowing proceeds are being used for their designated purpose. Verify that any unused funds are transferred to the district's debt service fund.

4 Program specific guidance

This chapter includes compliance supplements for designated state major programs (see Section 3.4 of the Main Document, online at www.ssag.state.wi.us)

Designated major programs

- [Section 3.1](#) General Aids
[Section 3.2](#) Special Education and School Age Parents Aid

Designated Type A program

- [Section 3.3](#) Pupil Transportation Aid

4.1 General Aids

Funding: State funded (state identification number 255.20X)

REPORTING PROCESS

The Department of Public Instruction "DPI" is required to annually certify by October 15 school district General Aid eligibility. School districts provide information needed for aid determination on form *PI 1505 AC "Annual Report - Aid Certification Data"*. The *PI 1505 AC* is required to be submitted by the district via the Internet no later than the last Friday in August.

Auditor examination of the *PI 1505 AC* information is required. Districts and auditors are encouraged to reach agreement on the *PI 1505 AC* items prior to submission. The DPI will review and approve the *PI 1505 AC* prior to opening the *PI 1506 AC* for auditor completion.

The auditor will complete a *PI 1506 AC "Audit Statement - Aid Certification Data Form"* via the Internet containing data corresponding to the district's *PI 1505 AC*. The filing date for the *PI 1506 AC* is the second Friday in September. **The information provided on the Internet *PI 1506 AC* (represented to be examined in accordance with these procedures) will be used by the department in determining aid eligibility required to be certified to the district.** In addition to the Internet *PI 1506 AC* filing, the auditor must provide the DPI with a signed *Financial Audit Statement PI-1506* form, accompanied by a copy of the *PI 1506 AC Audit Statement - Aid Certification Data Report* resulting from filing the *1506 AC Data Form*, and a written attestation report regarding the Internet submitted *PI 1506 AC* information. **Effective**

2006-2007, these reports must be submitted in PDF format to the audit reports mailbox: auditreports@dpi.state.wi.us. Paper copies will not be accepted.

If the Internet filing of the *PI 1506 AC* data is not completed by the due date, the DPI will send a letter to district's school board (the contracting party with auditor). This letter will advise the board that the auditor was 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.

The following procedures provide for determining that information the school district has submitted on the *PI 1505 AC* is fairly presented in accordance with Department of Public Instruction requirements.

NEW FOR 2006-2007

Audited Ending Fund Balance – Effective 2006-2007, auditors are required to complete the Audited Ending Fund Balance application prior to submitting the PI-1506-AC. Upon completion of the PI-1506 AC, the auditor will be prompted to complete the Audited Ending Fund Balance application if the auditor has not already done so. The Audited Ending Fund Balance application requires the auditor to report the districts fund balances as reserved, board designated, or un-appropriated based upon the work performed by the auditor. Once the application is complete, return to the PI-1506 AC and continue through quick audits and the submission process.

WRS Wisconsin Act 25 - Wisconsin Act 25, enacted in November 2005. This is the second and last year a negatively aided district will be able to take advantage of the WRS shared cost modification. Wisconsin Act 25 provides for a potential modification to 2006-07 district shared cost for aid paid in 2007-08. This provision applies to any district using fund balance to pay their unfunded pension liability under WRS and for which the result of excluding such expenditures from their shared cost would result in an increase in Equalization Aid. This modification potentially applies to approximately 130 districts that are “negatively aided.”

Any district that makes any type of payment from their fund balance to reduce the unfunded pension liability portion under the Wisconsin Retirement System (WRS) is eligible for this shared cost adjustment. This refers to both payments made directly to WRS or for debt payments that are a result of the district borrowing money to then pay off the unfunded liability.

For shared cost to be modified, the school district must maintain minutes of a school board meeting in fiscal year 2006-07, prior to June 30, 2007, that reflect action taken by the board to use fund balance to pay the school district’s unfunded pension liability under the Wisconsin Retirement System, including the monthly 1.3% normally paid by the district, a “lump sum” additional payment from fund balance, or to pay debt service for debt issued to refinance the balance of the unfunded pension liability.

- A. Review school board minutes to verify a separate resolution was passed, prior to June 30, 2007, to use fund balance to pay the school district’s unfunded pension liability under the Wisconsin Retirement System or to pay debt service for debt issued to refinance the balance of the unfunded pension liability.

- B. Verify the amount of the expenditure(s) and that the actual payment was made as of June 30, 2007. Please note that the lump sum payment must be “out the door” as of June 30, 2007. Year end WRS accruals, which are part of the normal payroll process, may also be claimed.
- C. Lump sum payments on the WRS unfunded liability in fund 10 should be reported in function 290 000, object 210 (detailed coding is function 299000, object 211).
- D. Payment of debt service in fund 38 or fund 39 for debt issued to refinance the balance of the unfunded pension liability should be reported in function 289000.

PRELIMINARY & OVERALL PROCEDURES

1.1. Form *PI 1505 AC*:

- 1.1.1. Trace District amounts on *PI 1505 AC* report to district ledger and/or trial balance.
- 1.1.2. Provide the DPI with correct amounts by completing the auditor column on the *PI 1506 AC*. Review all issues identified in the quick audits. Determine the reasonableness of any variances.

ANNUAL REPORT ENTRIES PER DPI DATA BASE

- 2. 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 *PI 1505* from DPI records will result in an error that the district must correct in order to submit the annual report. Determine agreement of the following *Annual Report Entries* to the *PI 1505 AC* data and reasons for any differences.

2.1. Beginning Fund Balances:

- 2.1.1.Account 10 B 900 000 001 General Fund
- 2.1.2.Account 38 B 931 710 001 Debt Service Fund Refinancing Reserve
- 2.1.3.Account 38 B 931 790 001 Other Debt Service Fund Balance
- 2.1.4.Account 39 B 931 710 001 Debt Service Fund Refinancing Reserve
- 2.1.5.Account 39 B 931 790 001 Other Debt Service Fund Balance
- 2.1.6.Account 41 B 900 000 001 Capital Expansion Fund

2.2. Property Tax Levies:

- 2.2.1.Account 10 R 000 000 211 "Current Year Property Tax" - General Fund
- 2.2.2.Account 10 R 000 000 212 "Property Tax Chargeback" - General Fund
- 2.2.3.Account 38 R 000 000 211 "Property Tax" - Debt Service Fund
- 2.2.4.Account 39 R 000 000 211 "Property Tax" – Referendum Debt Service Fund
- 2.2.5.Account 41 R 000 000 211 "Property Tax" - Capital Expansion Fund

2.3. State Aid Payments:

- 2.3.1. General Aid included in Account 10 R 000 000 620 "General Aid"
 - 2.3.1.1. Equalization Aid - General Fund Revenue Source Account 621
 - 2.3.1.2. Special Adjustment Aid - General Fund Revenue Source Account 623
 - 2.3.1.3. Other General Fund Aid - Revenue - Revenue Source Account 629
- 2.3.2. State Computer Aid - General Fund Revenue Source Account 691

SPECIFIC REVENUE AND EXPENDITURE PROCEDURES

- 3. Revenue and expenditure information on the *PI 1505 AC* and the related *1506 AC* must be provided in accordance with Department of Public Instruction revenue and expenditure recognition requirements. These requirements are identified in the *Wisconsin Uniform Financial Accounting Requirement (WUFAR)*. Determine that the district followed WUFAR in compiling the *PI 1505 AC* data. The items in this section are normally addressed as part of the overall financial audit procedures.

3.1. Property Taxes - The entire property tax levy is considered revenue for the fiscal year levied. The amount recorded by the district in the following tax revenue accounts must agree with the amounts on record with DPI. The DPI obtains property tax levies from the Department of Revenue form *PI 401 - "Schedule of Fund Levies"* filed by the school district. Obtain a copy of the *PI 401 Schedule of Fund Levies* from the district's financial data home page and verify against board minutes that levies are recorded as adopted by the school board:

- 3.1.1. General Fund: Current Levy - Source 211
- 3.1.2. General Fund: Property Tax Chargeback Levy - Source 212
- 3.1.3. Debt Service Fund: Current Levy - Source 211. The *PI 401* amounts are divided between fund 38 "non-referendum" and fund 39 "referendum approved" debt service.
- 3.1.4. Capital Expansion Fund: Current Levy - Source 211.
- 3.1.5. TIF Capital Improvement Fund 48- Source 211 - *Kenosha School District only*.
- 3.1.6. Community Services Fund - Source 211

3.2 Refunds of revenues and expenditures - Analyze the following accounts used to record refund transactions. **It is rare that a district would not have any refund revenue or expenditures during the year.** Determine that the district is recording transactions in accordance with the "*Financial Reporting Requirements*" definitions:

3.2.1. General Fund revenue source account 972 "Property Tax and Equalization Aid Refund." - This account normally would only have payments received from municipalities resulting from collection of "property tax chargebacks" that the district charged the expenditure to Object 972. Other items may be recorded in this account with specific authorization of the DPI. A **tax levy** made by the district to recover chargeback payments is credited to revenue source account 212, "Property Tax Chargebacks."

3.2.2. General Fund expenditure object account 972 "Non-Aidable Refund Payment." - This 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.

3.2.3. General Fund revenue source account 971 "Refund of Prior Year Expense" -

This account is used to record refunds of prior year expenditures other than those coded to source account 972 and cash E-Rate refunds received by the district. This account should **not** have payments received from municipalities resulting from collection of "property tax chargebacks."

3.2.4. General Fund expenditure object account 971 "Aidable Refund Payment." -

This account is used to record refund payments of prior year equalization aid "deductible" revenues. This account should not include refunds of property tax collections or general aid receipts. A payment of an E-Rate refund to the "TEACH Wisconsin" program would be recorded here.

3.3. State and Federal Aid

State and federal aid passed through the Department of Public Instruction will be shown on the department's Aids Register. The Aids Register for each school district is available on the School Finance Team's web site. Only federal and state aids reported on the Aids Register should be coded to the revenue source codes identified on the Aids Register.

http://dpi.wi.gov/sfs/online_ar.html

3.3.1. State Equalization Aid - General Fund source 621. Certified amount, less revenue limit penalty recognized as revenue.

3.3.1.1. The amount reported by the district in General Fund source account 621 must agree with the amount identified by the DPI. *Caution: 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.* Annually, with the June Equalization Aid payment, the department provides a document titled "*Calculation of State Equalization Aid Payments.*" This document identifies the accounting entries to record Equalization Aid and Open Enrollment transactions. Request a copy of this document from the district.

3.3.1.2. The district should show a receivable for any equalization aid due the district as of June 30.

3.3.1.3. Verify that amount recorded by the district in source account 621 agrees with the amount for this account identified by the DPI on the *Calculation of State Equalization Aid Payments.*

3.3.1.4. *Other State General Aid -* Payments made to district from current year state appropriations recognized as revenue. Revenue recorded for the following aids must agree with the payments shown on the DPI Aids Register (no receivable is recorded for these).

- 3...4.1. Special Adjustment Aid - General Fund source 623
- 3...4.2. Other General Aid - General Fund source 629

3.3.2. State Categorical & Other Entitlements State Aid- Payments made to the district from current year state appropriations recognized as revenue. The revenue recorded

for the following aids must agree with the payments shown on the DPI Aids Register (no receivable is recorded for these). Determine that the district has recorded revenue equal to the Aids Register amount for the following accounts:

- 3.3.2.1. Special Education Aid - Special Education Fund 27 Source 611.
- 3.3.2.2. Transportation Aid - General Fund Source 612.
- 3.3.2.3. Library Aid - General Fund Source 613
- 3.3.2.4. Integration Aid (Resident) - General Fund Source 615
- 3.3.2.5. Integration Aid (Non-Resident) - General Fund Source 616
- 3.3.2.6. Bilingual/Bicultural Aid - General Fund Source 618
- 3.3.2.7. High Cost Special Education Aid – Special Education Fund 27 Source 625
- 3.3.2.8. SAGE Grants - General Fund Source 650

3.3.3. *State Currently Reimbursable Program Aid* - Revenue recognition when reimbursable expenditures are made. The district is to record a receivable for eligible expenditures not claimed at fiscal year end.

- 3.3.3.1. State Special Project Grants passed through the DPI - Source 630 in various funds. This is aid paid for currently reimbursable State programs claimed by the district on the DPI form *PI-1086*. Request copies of the *PI-1086* and trace to reimbursements shown in the Aids Register, test underlying expenditures and determine that end of year receivables are appropriately recorded.

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

- 3.3.4.1. Most common example is federal impact aid recorded in General Fund source 721 and 722, or in Capital Projects Fund source 723. Review prior year reports and determine if district received federal impact aid. Review current year remittance statements from federal government and determine that aid is recorded appropriately.

- 3.3.4.2. Other Federal Aid Entitlements - Review remittance statements and determine proper revenue recording

3.3.5. *Federal Currently Reimbursable Programs* - Revenue recognition when reimbursable expenditures are made. The district is to record a receivable for eligible expenditures not claimed at fiscal year end.

- 3.3.5.1. Federal Special Project Grants paid through the DPI - Source 730 in various funds. This is aid paid for currently reimbursable **Federal** programs claimed by the district on form *PI-1086*. Request copies of the *PI-1086* and trace to reimbursements shown in the Aids Register, test underlying expenditures and determine that end of year receivables are appropriately recorded.

- 3.3.5.2. Other Currently Reimbursable Federal Aid other than through DPI - Review claim forms, expenditures and determine proper revenue recording. Direct federal aid should be coded to source 791. Federal aid received

through a not-for-profit should be coded to source 799

3.4 Supplies and Materials Inventories, Prepaid Expense

- 3.4.1. Expendable supplies, non-capital items and equipment acquired for use in subsequent fiscal periods recorded as supply inventory and/or prepaid expense.
- 3.4.2. Prepaid expense accounts are not used for recording unexpired insurance premiums or equipment maintenance service contracts unless not doing so would result in more than one year's cost being recorded.
- 3.4.3. Test expenditures and review end of year purchases to determine that district is recording prepaid expense appropriately.

3.5 Equipment, Buildings, Sites and Improvements

- 3.5.1. Equipment is recorded as an expenditure when placed in service.
- 3.5.2. Buildings, sites and improvements are recorded as expenditures when acquired.
- 3.5.3. If the 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.
- 3.5.4. Test expenditures and review end of year purchases to determine that district is recording equipment, buildings, sites and improvements appropriately.

3.6 Payroll and Payroll Related Items. Determine that the district has reported payroll and related items as required for school district reporting to DPI as follows:

- 3.6.1. *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. Auditors should verify that the district has reported twelve months of payroll and related expenditures.
 - 3.6.2. *Accumulated Compensated Absences* - Accumulated unpaid vacation, sick leave, earned "compensatory" time recognized in the fiscal period when the accumulated time is used, not earned. This is a noted regulatory reporting requirement that differs from GAAP. The district should not be reporting compensated absences as "other non current liability in balance sheet account 849000."
 - 3.6.3. *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 as an expenditure in the fiscal period payment required to be made rather than when earned or at termination date. **If the district recognizes post-employment benefits as an expenditure when earned, and is funding these expenditures through a trust, see fund 73 procedures.**
 - 3.6.4. *Unsettled Employee Contracts* - Payroll and related benefit costs are recorded as
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fiscal period expenditures to the extent that they are costs associated with implemented (including "QEO") bargaining agreements. If there is no implemented agreement with an employee bargaining unit for the current fiscal year, no additional cost for an estimated settlement can be recorded unless the district and the bargaining unit are required to submit final offers to the Wisconsin Employment Relations Commission (WERC). In such a case, the recording of additional cost is limited to the lower of the district's or bargaining unit's offer.

http://dpi.wi.gov/sfs/doc/unsettled_contract.doc

3.6.5. *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 reserve accounts cannot be included in expenditures. This guidance may be found under WUFAR accounting issues.

http://dpi.wi.gov/sfs/doc/self_fund.doc

Please review these guidelines and take particular notice to the following:

Function 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. Any difference should be adjusted per the guideline provided under the WUFAR accounting issues.

Function 10B 815000 “Self-Funded Health Benefits Deposits Payable” must be adjusted on June 30 to equal summer payroll premiums and any prepaid retiree premium. Any amount above 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.

3.6.6. *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. This is a noted regulatory reporting requirement that differs from GAAP.

3.7 Charges for Providing Services to Other Educational Agencies - Revenue recognized in the fiscal period the services are provided. Determine that district is charging other districts as required and reporting appropriately.

3.7.1. Non-Open enrollment charges

3.7.1.1 Non-Open enrollment general tuition is billed according to DPI tuition worksheet or per alternative agreement between school districts.

3.7.1.2 Charges for "non-open enrollment" special education services are billed at full cost without a reduction for state aid payments or a reduction for anticipated aid related to such services. In the following year, upon

receipt of state special education aid payment from the department, the district providing special education services makes a state special education aid transit payment to district paying the tuition.

3.7.2. Open enrollment charges

3.7.2.1. Open enrollment general tuition is per state determined amount. Payments of open enrollment general tuition are made by the DPI. Open enrollment general tuition amounts are identified by the DPI on the *Calculation of State Equalization Aid Payments* sent to each district with the June equalization aid payment.

3.7.2.2. Open enrollment special education tuition is the DPI flat rate tuition plus additional costs or per alternative agreement with the paying school district.

3.8 Cost for Services Provided by Other Educational Agencies - Expenditures are recognized in the fiscal period services are received. See previous section "Charges for Providing Services to Other Educational Agencies" for reporting requirements. Determine that district is recording expenditures as required and reporting appropriately.

3.9 Revenue for School Based Services (SBS) or Medicaid Revenue

3.9.1. Reimbursements for eligible services are recognized as revenue in the fiscal period that they are received by the provider agency.

3.9.2. No offset for the revenue received or anticipated revenues are made against expenditures.

3.9.3. If reimbursements are due the district from a CESA or another district, a revenue and receivable transaction must be recorded based on information contained in a confirmation requested from the CESA or the other district.

3.9.4. Detailed accounting and reporting requirements for SBS are provided in the *WUFAR* "Transaction Coding" section. Determine that the district is recording and reporting SBS transactions as required.

3.10 Participation in a Consortium

3.10.1. A district acting as a fiscal agent of a consortium will receive revenues and make expenditures on behalf of consortium participants.

3.10.2. Expenditures funded through grants and debt proceeds received directly by the fiscal agent on behalf of the consortium are not recorded by other participants.

3.10.3. Determine that the district is recording and reporting consortium participation as required.

3.11 Long-Term Debt

3.11.1. 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.

- 3.11.2. An amount identified as a "discount" is recorded as an expenditure. No amortization of the discount amount is made.
- 3.11.3. 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.
- 3.11.4. Offsetting expenditures equal to the amount financed is recorded for land contracts and capital leases.
- 3.11.5. Long-term debt principal and interest expenditures are recorded when payment is due.
- 3.11.6. Determine that the district is recording and reporting long-term debt transactions as required.

3.12 Temporary (Cash Flow) Borrowing

- 3.12.1. Proceeds are credited to General Fund liability account.
- 3.12.2. Interest cost is accrued during the fiscal period. Accrued interest payable is recorded at the end of the fiscal period in account 811700
- 3.12.3. Premium and accrued interest received as part of tax anticipation note issuance (cash flow borrowing) is recorded as General Fund revenue in source 968. No amortization of the premium amount is made.
- 3.12.4. Determine that the district is recording and reporting temporary borrowing transactions as required.

3.13 Temporary Investment Income

- 3.13.1 Interest revenue recorded as revenue in fiscal period related to the investment. Interest receivable is recorded at the end of the fiscal period for accrued interest earned but not received in account 713300.
- 3.13.2 Determine that the district is recording and reporting temporary investment income transactions as required.

INTERFUND TRANSFERS AND PAYMENTS

4. Analyze inter-fund transfers and payments and determine that such transactions are as permitted by *Financial Reporting Requirements*.

4.1 Operating Transfers from the General Fund

This transfer can only be made to the Special Education Fund, Debt Service Fund, Food Service Fund and Other Cooperatives 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 30.

- 4.1.1 **Transfer to Special Education Fund** - Determine that total General Fund expenditures reported in line 10 E 000 000 000 on the PI 1506 AC includes an amount necessary to bring fund balance in the Special Education Fund to zero. This amount should be recorded by the district in General Fund function 411 000, object 827.
- 4.1.2 **Transfer to the Debt Service Fund** - This transfer can be made only to the extent used to make current fiscal year debt service payments. Normally this will occur when the district wishes to use accumulated General Fund fund balance to retire long-term debt. 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 can be made to provide funds necessary to make debt payments coming due prior to the first collection of taxes.

If line 10 E 000 000 000 on the PI 1505 AC includes an amount for a transfer to the Debt Service Fund, determine that the transfer was an amount used to make debt service payments. Any transfer to the Debt Service Fund from the General Fund should be recorded in General Fund function 411 000 object 838 or 839. The DPI will make an inquiry to the district if a transfer was made from the General Fund to the Debt Service Fund and the district reports an increase in Debt Service fund balance.

- 4.1.3 **Transfer to the Food Service Fund** - There can be no deficit in the district's Food Service Fund. A fund balance in the Food Service Fund is permitted. Any Food Service Fund deficit, resulting from student food services, must be eliminated by a transfer from the district's General Fund. Any Food Service Fund deficit, resulting from elderly food services, must be eliminated by a transfer from the district's Community Service Fund. 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 deficit in a particular food service program (National School Lunch, Breakfast, Ala Carte, etc).

Determine that total General Fund expenditures reported in line 10 E 000 000 000 on the PI 1505 AC includes amount necessary to bring fund balance in the Food Service Fund to zero. This amount should be recorded by the district in General Fund function 411 000, object 850.

If the district has made a transfer to the Food Service Fund and a Food Service fund balance greater than zero exists, determine that the transfer amount does not exceed the total amount necessary to fund program deficits. If the reason for the apparent excess transfer is to fund a specific program deficit, reference should be made to the "Food Service Claim Worksheet," (form *PI 1409*) for the fiscal period in determining the permitted transfer amount.

- 4.1.4 **Transfer to the Other Cooperatives Fund** - An operating transfer to a Cooperative Fund ("90" Fund Series) can 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.

4.1.5 **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.

4.2 Transfers to Capital Projects Fund - Districts cannot transfer funds from the General Fund to the Capital Projects Fund (Fund 49) for contemplated future projects. There is no provision to report, on the district's Annual Report to the DPI, a General Fund transfer to the Capital Projects Fund. Facility related costs funded with General Fund resources are charged to the appropriate General Fund function-object accounts as expenditures occur.

4.2.1 If the district has made an inter-fund transfer or payment to the Capital Projects Fund (Fund 49), determine that it was not to set resources aside for future projects. If the transfer or payment was made to fund current expenditures, provide the district with an adjusting entry to reclassify the Capital Project expenditures to the corresponding function and object accounts in the General Fund.

CAPITAL EXPANSION FUND - 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 purpose for a 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.

5. Perform the following to determine if the district is reporting Capital Expansion Fund transactions as required:
 - 5.1 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.
 - 5.2 Analyze expenditures reported by the district as Fund 41 expenditures. Determine that reported expenditures are in accordance with the purpose identified in the authorizing resolution.
 - 5.3 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.

Capital Property Sales - Annual Meeting authorization is required for the sale of property not needed by the district (Statute 120.12(10)). Proceeds from such sales are required to be credited to the General Fund unless the annual meeting has authorized deposit in another fund.

6. Analyze property sale transactions:

Determine that property sales have been authorized by the Annual Meeting and been credited to the General Fund unless deposit to another fund has been authorized.

Long-Term Debt Issuance - The WUFAR requires long-term borrowing (other than capital leases and loans from the TEACH Wisconsin program) used for the acquisition of equipment, maintenance projects, facility construction or remodeling be accounted for in the Capital Projects Fund (Fund 49).

School districts may also use long-term promissory notes for general and current expense "operational borrowing", statute 67.12(12). State trust fund loans may also be used for operational purposes under Chapter 24 of the statutes. 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. Currently only two school districts in Wisconsin are authorized for long-term operational debt. A school district must have DPI approval prior to issuing long-term operational debt.

Proceeds from operational borrowing are deposited in the district's General Fund and is a "non-deductible" resource in determining shared cost used for general aid calculation. Interest payments on long-term operational debt, although paid out of the Debt Service Fund, are included in shared cost as an adjustment to General Fund expenditures.

7. Analyze debt transactions:

- 7.1** If long-term promissory note or State Trust Fund borrowing proceeds have been deposited in the district's General Fund, determine that the borrowing purpose is identified as being for General Fund operations. If the borrowing is for acquisition of equipment, facilities, maintenance or remodeling projects, provide entries to reclassify the borrowing proceeds and related expenditures to the Capital Projects Fund. Currently only two school districts in Wisconsin are authorized for long-term operational debt
- 7.2** If the district has debt service expenditures coded as "Long-Term Operational Debt" (WUFAR Function 283 00), determine that such payments are for debt issues where the proceeds were credited to the district's General Fund.
- 7.3** Review the prior year Annual Report and if the district has operational borrowing transactions shown, i.e. long-term debt proceeds credited to the General Fund or long-term operational debt payments made (Debt Service Fund function 283 000), determine that current payments on the debt issue are recorded in the Debt Service Fund as operational debt.

Long-Term Debt Refinancing - School districts may refinance outstanding long-term debt as permitted by Chapter 67 of the statutes. 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 282 000 "Refinancing" in the Debt Service Fund.

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 281 000, object 690).

If the proceeds from the refinancing borrowing are in excess of that needed to fund the refinancing transaction, WUFAR source account 960 "Adjustments" should be credited for the excess amount.

If use of the refinancing borrowing will occur in a future fiscal period, the available balance is to be identified as a reserved Debt Service Fund account, WUFAR balance sheet account 931 710 "Reserved for Refinancing".

Upon issuing long-term debt, a district may be required to place in the Debt Service Fund a portion of borrowing proceeds for scheduled payments (sometimes referred to as "capitalized interest" by financial consultants) prior to receipt of tax revenue. Such transactions are required to be coded and reported in the Annual Report in the same manner as refinancing transactions.

8. Analyze debt transactions and determine if refinancing transactions occurred:
 - 8.1 If borrowing proceeds are receipted to the Debt Service Fund, determine that the use of these proceeds is charged as a refinancing expenditure, WUFAR function 282 000, or included in a refinancing reserved fund balance, WUFAR balance sheet account 931 710.
 - 8.2 Review the prior year Annual Report. If proceeds from borrowing credited to the Debt Service Fund remain unspent at year end, determine that any current expenditure of the carryover balance is charged to WUFAR function 282 000.
 - 8.3 If Debt Service resources other than borrowing proceeds originally receipted to the Debt Service Fund are required for expenditures related to the refinancing transaction, determine that the additional cost is reported in the Annual Report as an "Other Debt Service Cost" (Object 690) and WUFAR function 281 000.
 - 8.4 If proceeds from the refinancing borrowing are not going to be used for refinancing expenditures, determine that WUFAR source account 960 "Adjustments" was credited for the excess amount.

Self-Funded Health Care Benefits - School districts may offer health care benefits to employees on a self-insured basis per Statute 120.13(2). Benefit plan costs charged to expenditure accounts cannot exceed actual costs and must include an estimate of incurred but not reported (IBNR) claims and related costs. Premium equivalencies based on an estimated annual plan cost may be charged against district accounts and claimed against federal and state assistance programs. The charges to assistance programs are to be adjusted to actual cost, including IBNR costs.

The Wisconsin Attorney General has stated that it is not appropriate for governments to accumulate funds for contingencies that may never occur (OAG 18-87). If the district wishes to have a designated or reserved fund balance for self-funded health benefits, the district should discuss with legal counsel and benefit consultants the authority and justification for balances maintained in such accounts.

9. Analyze health benefit transactions and determine if the district has a self-funded health benefit plan:
 - 9.1 Determine the June 30 amount in the "Claims Payable" account (WUFAR account 817000) is sufficient, but not in excess of the amount needed to fund all unpaid benefit plan costs, including IBNR claims as determined by the plan administrator, and does not include a contingency amount.

- 9.2 Determine that any Claims Payable account adjustment is appropriately allocated against expenditure object code 240. Adjustments less than 5% may be coded to object/source 965
- 9.3 Determine that the June 30 balance in WUFAR account 815110 "Self Funded Health Care Deposits -- District Share" results from employee services prior to that date. The balance in this account should represent prepaid retiree premiums and the district share of the premium equivalent needed to fund benefit coverage before the start of the next school term and/or otherwise committed as required by contract.
- 9.4 Evaluate the methods used to determine premium equivalency charges and ascertain that such charges were applied and adjusted uniformly to district accounts and financial assistance programs.
- 9.5 If the district has a designated or a reserve fund balance account for the benefit plan, determine that the district has consulted with legal and benefit advisors in establishing and determining the amount to be maintained in the account.

4.2 Special Education and School Age Parents Aid

Funding: State funded (State identification number 255.101)

Compliance requirements and suggested audit procedures

- 1) Obtain from the Department of Public Instruction website, special education license staff listings (Valid and Non-Valid) for the fiscal year and a copy of the *Special Education Claim Instructions*.
 - a) The valid and non-valid license staff listings are available at:
<http://www.dpi.wi.gov/sfs/index.html>. Click on "School Finance Reporting Portal", choose district, click on "Financial Data Home", click on "FY 06-07 Special Education Licensure Information", enter ID and password assigned your firm.
 - b) The special education claim instructions are available at:
http://www.dpi.wi.gov/sfs/xls/se_claim_directions.xls
- 2) Request the district provide the following reports from the "Special Education Fiscal Report Program:"
 - a) *Aid Sheet* (This report shows the aid eligible costs claimed and estimated aid for the district).
 - b) *Chart of Accounts with Amounts* (This report shows all reported expenditure accounts with amounts).
- 3) Using the "No Valid License" report provided by the Department of Public Instruction:

- a) From the DPI website, download the district's No Valid License listing into an EXCEL spreadsheet. In the EXCEL spreadsheet, document the salaries, benefits and account codes charged including appropriate Project codes and Funds for ALL individuals listed. This information must be provided even when the following applies:
 - 1) whether or not a license has been issued
 - 2) the district reclassified the costs to Project code 019
 - 3) there were no salaries or benefits paid to the individual (report a \$0 cost). (The individuals are pulled from the PI-1202 filed by the district each Fall listing staff for the current year. Therefore, it is unusual for an individual to be listed that did not work for the district at sometime during the year. If there are no salaries and benefits associated with an individual, please provide an explanation.)
- b) For Reported Assignments that are not correct:
 - (1) determine correct teaching position code, assignment code, and grade level through inquiry of appropriate district personnel.
 - (2) receive a written representation from the Special Education Director or other appropriate person that the previously reported assignments (PI-1202) and grade level were incorrect.
 - (3) the representation should include the name, previously reported position code, assignment code and grade level and correct teaching position code, assignment codes and grade level for each individual.
 - (4) Check the yes box on the Special Education Licensure Information spreadsheet and fax a copy of the letter to the attention of Janette Gosdeck, WI Dept of Public Instruction at 608-266-2840. Be sure to include the district name on the fax.

Format the completed spreadsheet as a .xls document and email to DPI at *DPIsreports@dpi.state.wi.us with the subject line "Special Education Questioned Cost - 2007". A copy of the spreadsheet does not have to be attached to the filed PI 1506. The eligibility of these amounts will be determined by DPI.

- 4) Using the staff listing that shows appropriately licensed staff, perform a payroll test and determine if salary and related benefits are being properly reported for staff on this listing.
 - a) Include in the sample a total of two individuals from the categories of psychologists, social workers, guidance counselors and nurses.
 - b) **Print off the guidelines regarding methods of allocation available at:**
http://www.dpi.wi.gov/sfs/ltrjan12_06.html .
 - c) **For the two individuals selected in 4a above:**
 - 1) Determine whether they have an allocation method in place
 - 2) Whether the method has been identified in the guidelines. If not, determine whether the method is rational and defensible method of allocation
 - d) Verify that the allocation analysis has been signed by the professional staff (i.e. psychologist, etc.)
 - e) Determine that time spent with regular education students by psychologists, social workers, guidance counselors and nurses is properly allocated and coded to Fund 10 (or appropriate fund).

- 5) Using the “Chart of Accounts with Amounts,” test claimed salaries and benefits and determine that special education staff employed by the district are shown on the staff listings. If staff are not on the listings, determine hire date and review for appropriate license.
- 6) If the district is claiming personal service costs (Object 310) or employees travel (Object 342), review the *Special Education Claim Instructions* and determine if the claimed cost is eligible. Only occupational therapy, Function 218100, Physical Therapy, Function 218200 and special transportation, Function 256000 should be reported with object 310 personal services as 011 eligible cost. Only homebound, Function 156200 should be reported with object 342 employee travel as 011 eligible cost.
- 7) If the district is claiming pupil transportation costs, review the *Special Education Claim Instructions* for special education transportation requirements and determine if the claimed cost is eligible. Special transportation means that the vehicle contains ONLY “children with disabilities” whose IEP states that child must have “Special” transportation (cannot ride with “Regular Education” children). Cost of transportation of “students with disabilities” riding with regular education students on the usual bus routes should be excluded.
- 8) Inquire as to the process used to identify “deductible receipts” received in payment from another district or used to fund payments to another district or a transfer from another fund. Determine if district has appropriately identified “deductible receipts” received and used.
- 9) Identify questioned costs under the section titled “Additional Special Education Questioned Staff Cost and/or Purchased Service Cost” on the Excel spreadsheet emailed to DPI.
- 10) Obtain printout of special education *Aid Sheet* (as adjusted by any known errors during performance of above procedures) and identify total eligible cost on *Schedule of State Awards* footnote. It is no longer necessary to attach a copy of this *Aid Sheet* to PI-1506.

4.3 Pupil Transportation Aid

Funding: State funded (State identification number 255.107)

Program Objectives

State transportation aid “*for each pupil so transported*” is determined under the provisions of WI Stats. 121.58. Aids paid to public school districts 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*** for districts to include them on the transportation report for aid.

Program Procedures

Aid is paid at a per pupil rate based on distance and days enrolled. School districts receive aid by submitting pupil transportation data through the school finance reporting portal on an internet based application.

The district should have available, as supporting documentation, a listing of pupils

transported at least once during the school year with home to school distance (regular school year and summer school year transportation) or distance to instructional site (vocational transportation) and days *enrolled*. Aid is pro rated if the pupil is transported at least once but enrolled less than 91 days WI Stats.121.58(2)(am).

TYPES OF SERVICES ALLOWED AND UNALLOWED

Compliance Requirement

Regular and summer school transportation aid is provided for pupils transported on home to school routes. Special education pupils riding regular home to school routes are also included in the regular transportation or summer school tables UNLESS the pupils' Individualized Education Program (IEP) REQUIRES A MODIFICATION of home to school transportation. (Special education only route)

The number of special education pupils for whom a modification of home to school transportation is required by the pupils' IEP is not required to be reported to DPI on the transportation report. Their transportation costs are eligible for state special education aid and are charged to fund 27 functions 256 250 "Special Transportation - District Operated" and 256 750 "Special Transportation - Contracted".

Suggested Audit Procedures

Obtain online the district's transportation report filed with DPI at: <https://www2.dpi.state.wi.us/safr/>. Choose your school district, click on Non-Financial Data Home, click on Pupil Transportation (PI-1547), click on Fiscal Year and provide ID and password (previously provided password for PI-1506AC).

Determine that only home to school transportation is reported in the regular or summer school tables.

Determine that pupils included in the transportation tables are transported at the expense of the district. Transportation aid may not be paid if the district is being reimbursed through fees charged.

Determine that "one-way", NOT "round-trip" or "total route" mileage is reported for pupils included in the regular or summer school transportation tables.

If the district is NOT running special education only routes, determine that pupils are reported only on regular transportation tables or summer school tables as appropriate. Verify that transportation costs have not been allocated from the general fund 10 to the special education fund 27. Regular transportation costs should be accounted for in the general fund 10.

Determine that pupils for whom special education transportation costs have been reported on the annual report in fund 27 have NOT been counted in the regular transportation tables.

Compliance Requirement

Transportation aid is provided for pupils transported to vocational programs at a VTAE or to cooperative "66.30" vocational programs. Transportation aid for these programs is paid to the district based on data submitted to DPI through the school finance internet reporting portal. *Note:* Very few districts have vocational transportation aid.

Suggested Audit Procedures

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

Determine that "one-way", NOT "round-trip" or "total route" mileage is reported.

ELIGIBILITY

Compliance Requirement

Pupils may only be classified in the transportation tables by days *enrolled*. Distance is measured from the pupil's residence to the school attended along the usually traveled route. This requires the district to have a system for identifying pupils, days enrolled, distance transported and any changes during the year.

The number of pupils enrolled 90 days or less (15 days or less for summer school transportation) is reported separately from pupils enrolled in excess of 90 days (over 15 days for summer transportation).

Pupils are *classified in the transportation tables by days enrolled*, but WI Stats.121.58(2)(am) requires the pupil to be *actually transported to receive aid*. Although pupils may be eligible for transportation, if they are not actually transported, they should not be included on the transportation report.

Suggested Audit Procedures

Determine and evaluate the process used by district to identify pupils transported, days enrolled, distances the pupils were transported, and any changes during the year. If there are no changes identified for pupils transported during the year, determine that there is a process for identifying changes as they occur.

Determine that the district has reliable documentation and NOT undocumented

assumptions or estimates to support the number of pupils reported as actually transported at least once during the school year.

Obtain September Pupil Count from The PI-1563 on-line report for your district. The count can be obtained at: <https://www2.dpi.state.wi.us/safr/>. Choose your school district, click on Non-Financial Data Home, click on Pupil Count – Sept. (PI-1563), click on Fiscal Year, provide your ID and password (previously provided password for PI-1506AC), click on and print Final Summary.

Compare the percentage of pupils reported as transported on the PI-1547 to the September Pupil Count “Final Summary” PI-1563. Determine whether the percentage transported appears reasonable for the geographical profile of the district and does not appear to be based on eligibility rather than actual transportation. If it appears unreasonable, inquire of the district what factors may be affecting the percentage (i.e. transportation to private school). If necessary, consider additional reasonability tests (i.e. number of buses, capacity of buses and number of routes compared to pupils reported as transported).

If the transportation contractor is responsible for providing data to the district, determine that the contractor is providing adequate information as required for the accurate completion of the transportation tables.

By reference to enrollment records and listing of pupils transported, test at least one pupil in each category on current year tables for regular school year and summer school transportation and determine that:

- a). Pupil was enrolled in district for days reported as being enrolled.
- b). By reference to district map determine that one way home to school distance is within mileage category.

Compliance Requirement

A district at its option 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 plan(UHT) filed by the district.

Suggested Audit Procedure

If pupils are shown on the transportation report as being transported less than two miles, determine that they are done so in accordance with a UHT plan filed by the district with DPI. The internet reporting application will have an edit that will prevent the district from reporting in the 0-2 mile category if a UHT plan is not on file. Test a sample of pupils transported in this category to determine whether they are within the boundaries of the plan. Determine if the plan has been updated for current conditions.

MATCHING, LEVEL OF EFFORT AND/OR EARMARKING

The auditor is not expected to test for matching, level of effort and/or earmarking requirements.

REPORTING REQUIREMENTS

Compliance Requirement

The number of pupils a school district claims for transportation aid is reported to DPI online through the School Finance Reporting Portal.

Suggested Audit Procedures

- Review procedures used to compile number of pupils reported as transported and evaluate for accuracy.
- Determine that:
 - a) Pupils being claimed are transported at the expense of the school district and the district does not charge them a fee for transportation.
 - b) Special education children transported on regular routes are reported on the regular transportation tables.
 - c) The district has a system to count pupils actually so transported by modes other than by yellow bus. For example, parent contracts, city bus, taxi cab, etc. are other methods that may be used and pupils so transported should be included in the data reported.
-

SPECIAL TESTS AND PROVISIONS

There are no special tests and provisions for the auditor to test.

4.4 Guidance for auditing a program which does not have a compliance supplement

Auditors are likely to encounter programs from DPI which do not have compliance supplements in this appendix. Auditors will need to identify the applicable compliance requirements and audit procedures for these programs.

Risk assessment

A. General risk factors

- The program has not been audited in at least one of the last two audits.
- The auditor identified significant findings in the most recent audit.
- The auditee has had significant changes in personnel or systems affecting the program.
- The program is new for this auditee or the program requirements have recently changed substantially.
- 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 ([Section 2](#)).

B. Program specific risk factors

- Consult the contract and program guidance for program specific risk factors.

Compliance requirements and suggested audit procedures

Auditors will need to identify the applicable compliance requirements and audit procedures for these programs.

- 1) The contract between the department 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.
- 2) Part 7 of the “OMB Circular A-133 Compliance Supplement” (online at <http://www.whitehouse.gov/omb/grants/index.html#audit>) includes guidance for identifying the types of compliance requirements to test when there is no compliance supplement. This guidance is designed for federal programs; however, it will also be useful for state programs.
- 3) The general compliance requirements described in [Section 2](#) apply to most department programs. Auditors should consider results of testing these general compliance requirements when making risk assessment and when preparing the audit program.