



DATE: September 21st, 2018

TO: Auditors of Montana School Districts

FROM: Kara Sperle, School Finance Division Administrator

RE: School District Audits for FY 2018

This letter has three goals:

1. Provide general information and updates regarding issues that affect Montana school district audits for the fiscal year ended June 30, 2018.
2. List special items the agency would like auditors to review for compliance with statute and administrative rule.
3. Provide reporting student enrollment/ANB discrepancies included in attachment A.

The information provided was drawn from the review of FY 2017 audits, the FY 2017 Trustees' Financial Summary (TFS) and the 2017 Montana Legislative session. Throughout this letter are hyperlinks to related web pages. Please ensure [Attachment A](#) is used to compare enrollment counts. There is now an excel version of [Attachment A](#) available for use as well.

Request for Information from the OPI – Standard Audit Contract

Requests for information pertaining to potential financial or legal compliance issues relating to a school district or cooperative should be emailed to dcasey@mt.gov. Please allow up to two weeks for a response. If requesting information regarding multiple entities, please list the districts/cooperatives by county to expedite the turnaround of information.

Submission of Audit Reports to the OPI

Montana Code Annotated [MCA § 20-9-213](#) (7-9) requires copies of all financial audit reports be sent to the OPI. Email a .pdf version of the audit reports to OPIAuditReports@mt.gov. Please continue to send audit reports to the Department of Administration in compliance with [MCA § 2-7-503](#) (1) in the format requested.

School Finance Division Website

The [OPI School Finance Division](#) website has been recently updated. There is a page for [Auditing](#) which includes information to auditors. The Information to Auditors section includes the Budget Reports (which also includes the excess reserve information), the Trustees' Financial Summary, Enrollment Reports, and the FY 2018 Value of Donated Commodities report.

School Nutrition Information

Information about the school nutrition program is available [here](#) and claims, payment, and reporting information is available [here](#). The FY 2018 Value of Donated Commodities will soon be published under the [Information to Auditors](#) section. The [OPI School Nutrition Programs](#) system information is available with a login and password. Please contact Dan Moody at Dan.Moody@mt.gov or (406) 444-0701 for login information.

Legislative Summary

The OPI has provided a [2015 K-12 Legislative Summary](#) (hyperlinked document) for reference. This will cover changes to FY 2017. Legislative changes for FY 2018 may be found in the [2017 K-12 Legislative Summary](#).



Changes to School Finance in FY 2018

The following changes were effective July 1st, 2018.

- Training hours required for school bus drivers changed from 10 hours to 15 hours – found in the [2017 Montana School Bus Standards](#) on page 49.
- There is a change to building reserve fund 61 with the addition of a permissively levied authority. Reference to this new levy is addressed in [MCA §20-9-502 \(3\)](#). In addition to the permissive levy, the building reserve fund is now structured with a subfund in the Trustees Financial Summary. For additional information, please visit the OPI webpage and review the [Building Reserve Guidance](#) document. The guidance document also lists allowable uses for the permissively levied funds.
- Districts are required to notice any anticipated increase in non-voted levies as addressed in [MCA § 20-9-116](#) by March 31st (for FY 2017, the notice was required by June 1st).
- All federal audits for the previous fiscal year have a high-risk assessment completed by the OPI which will be sent to the audit firm. If you do not receive this assessment, please e-mail your request to Dan.Moody@mt.gov.
- Per the 2017 November Special Session, districts received a prorated reduction in the state payment for transportation claims. Districts are required to transfer funds internally to compensate for this shortage. Districts are not allowed to levy to fund this shortage. Please review the [2017 Special Session Guidance Document](#) on the OPI webpage for more information.
- Districts that applied for an anticipated ANB increase, but the increase did not materialize, were required to set aside the over-levied local monies associated with the non-materialized ANB. The districts with non-materialize ANB received a letter from the OPI stating how much local levied funding needed to be set aside from FY 2018 and budgeted in FY 2019. This will also be demonstrated with an OPI generated balance sheet line in the general fund TFS budget labeled 46 - Non-Materialized ANB - Excess Levy. See [MCA § 20-9-314](#).
- Students who test as proficient do not have to meet the minimum aggregate hours so long as they tested proficient, as defined by the board of trustees. Please see [MCA § 20-1-301](#).

Informational Items for Reference:

Administrative Rule of Montana (ARM) and MCA Compliance Items

The following sections are areas the OPI would like auditors to review compliance with a specific rule or statute. This list is not exclusive as other items can be reviewed as deemed appropriate by the auditor. The [Administrative Rules of Montana](#) and [Montana Code Annotated](#) are key resources for auditors.

Pupil Transportation and Standards for School Buses

[ARM 10.7.104 Claim Procedure](#)

Please review compliance with sections (1) (a) and (2) (a) specifically ensuring counties have signed and completed copies of transportation claims on file.

[ARM 10.7.111 Bus Driver Certification Requirements for Reimbursement](#)

Please review compliance with all sections of this rule specifically ensuring all bus driver certification requirements are met particularly about first aid, CPR, and new bus driver information.

[ARM 10.7.112 Requirements for Bus Transportation for Eligibility for State Reimbursement](#)

Please review compliance with section (10) of this rule specifically ensuring transportation claims submitted are not for transportation to alternative sites.

[ARM 10.64.201 School Bus Driver Qualifications](#)

Please review compliance with all sections of this rule specifically ensuring all bus driver requirements are documented and met which includes a criminal history background check.

Standards for School Buses – Mandatory Bus Driver Training

[MCA § 20-10-111](#) (Duties of board of public education) requires the Board of Public Education establish school bus policies which are addressed with the Montana School Standards. Please note, the bus standards in effect for FY 2018 are the [2017 Montana School Bus Standards](#) located on the OPI website.

Please ensure compliance with Section VI. Operational Standards #4 (B) (a) specifically ensuring bus drivers are provided with 15 hours of applicable in-service training hours annually.

For information regarding pupil transportation please visit the [OPI website](#). For any additional information, contact Donell Rosenthal at drosenthal@mt.gov or (406) 444-3024.

Special Accounting Practices

[ARM 10.10.303 Cost Allocation between Districts](#)

Please review compliance with all sections of this rule specifically ensuring administrative costs are assigned using the allowed allocations in rule and have defensible allocations to each fund especially the transportation fund which has a 50% county match levied to tax payers.

[ARM 10.10.304 Student Extracurricular Activity Funds](#)

Please review compliance with all sections of this rule specifically ensuring funds in extracurricular activities are not subsidizing other funds.

[ARM 10.10.306 Bank Accounts or Other Depositories](#)

Please review compliance with all sections of this rule specifically ensuring districts do not have offsite bank accounts not allowed in rule.

[ARM 10.10.615 Internal Controls and Accounting Records](#)

Please review compliance with all sections of this rule specifically ensuring accounts are reconciled, investment accounts are properly accounted for, and no single person controls an accounting transaction from beginning to end.

For information regarding general accounting practices please visit the [School Accounting Manual](#) and additional [guidance materials](#) located on the [OPI School Finance Webpage](#). For any additional information, contact Keri Ludwig at Keri.Ludwig@mt.gov or (406) 444-0783 or Kathleen Wanner at kwanner@mt.gov or (406) 444-9852.

[Student Enrollment and Average Number Belonging \(ANB\)](#)

[MCA § 20-9-311](#) and [ARM 10.20.102 Calculation of Average Number Belonging \(ANB\)](#)

Please review compliance with all sections of this statute and rule specifically ensuring counts are completed on the correct days indicated in rule and the counts are accurately reported. Also, please make sure districts meet the minimum number of educational instruction aggregate hours.

For information regarding this section, please visit the [OPI website](#). For any additional information, contact Nica Merala at nmerala@mt.gov or (406) 444-4401.

[MCA § 20-7-117 Kindergarten and preschool programs](#)

Please review enrollment records of kindergarten and preschool programs to ensure enrollment records for youth who are not 5 years old on or before September 10th of the school year have individual board approval. In addition, enrollments may not be counted in any preschool program (including the Montana Preschool Development Grant MPDG or STARS Preschool programs) and included in the count for kindergarten. Students reported as kindergarten must meet both the instructional hours and curriculum requirements.

For any additional information, contact Nicole Thuotte at nthuotte@mt.gov or (406) 444-4524 or Kara Sperle at ksperle2@mt.gov or (406) 444-3249.

[State Tuition and State Placement](#)

[MCA § 20-5-320 Attendance with discretionary approval.](#)

Please review compliance with sections (2 – 5) of this statute specifically ensuring attendance agreements are completed with signatures, on file, and shared with the appropriate district.

Non-resident students who do not have a completed attendance agreement may not be included in the district's ANB count.

[MCA § 20-5-324 Tuition report and payment provisions](#)

Section 5 was amended in 2013 to allow a district to permissively levy for special education costs for in-district students. Please pay special attention to section (5) (iii) which limits the amount a district may levy for educating a child with disabilities. To assist districts with the calculation of the levy amount there is a calculator to assist in this effort and is available on the [OPI website](#). Districts may levy actual cost in the year after attendance or estimate in the year of attendance. If there is a levy in the year of attendance, districts need to re-calculate the levy at the end of the year and adjust the next year's levy accordingly. Please verify that districts using this calculation have: 1) calculated on a per-student basis (rather than total special education cost); and 2) that any estimated levy was recalculated at the end of the year; and 3) that any estimated levy adjustments were made to the following year's levy.

[MCA § 20-9-707](#) Agreement with Montana youth challenge program or accredited Montana job corps program.

Please review compliance with all sections of this statute specifically ensuring agreements are in place for all students included in the ANB calculation for these programs.

[ARM 10.20.106 Students Placed in Education Programs](#)

Please review compliance with section (5) specifically ensuring students in day treatment programs or county detention programs are not included in the ANB calculations.

If you have any questions please visit the [OPI website](#) or contact Nicole Thuotte at (406) 444-4524 or nthuotte@mt.gov.

Thank you for your time and consideration in these areas. If you have any questions or concerns, please contact Dan Moody, Auditor, at Dan.Moody@mt.gov or (406) 444-0701 or Kara Sperle at (406) 444-3249 or ksperle2@mt.gov.