



DATE: May 1st, 2019

TO: Auditors of Montana School Districts

FROM: Kara Flath, School Finance Division Administrator

RE: School District Audits for FY 2019

The information provided in this letter was compiled from the review of FY 2018 audits, the FY 2018 Trustees' Financial Summary (TFS), and the 2017 Montana Legislative session. Active hyperlinks are located throughout this document where websites are mentioned. Please be sure to use [Appendix A](#) (found under Information to Auditors and available in both Word and Excel) to compare enrollment counts by elementary, middle school, and high school budget units. This document is located in the [Auditing](#) section of the [OPI School Finance Division](#) website.

Three goals for this correspondence:

1. Provide general information and updates regarding issues that affect Montana school district audits for the fiscal year ended June 30, 2019.
2. List special items the agency would like auditors to review for compliance with statute and administrative rule.
3. Remind auditors to use the Enrollment Schedule – Attachment A found on the OPI website.

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 information turnaround.

Submission of Audit Reports to the OPI

Montana Code Annotated (MCA) requires copies of all financial audit reports be sent to the OPI, [§ 20-9-213\(7-9\), MCA](#). 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 [§ 2-7-503\(1\), MCA](#) in the format requested.

School Finance Division Website

The [OPI School Finance Division](#) website has been recently updated. An “Information to Auditors” section can be found under the green tab on the [Auditing](#) web page. The Information to Auditors section contains current and prior Budget Reports (which also include the excess reserve information), Trustees’ Financial Summary (TFS) Reports, Student Enrollment Reports, and Value of Donated Commodities Reports.

School Nutrition Information

Information about the school nutrition program can be located on the [School Nutrition Programs](#) web page. An [Agreements, Claims, and Data](#) website contains claims, payment, and reporting information. The FY 2019 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](#) for reference, also located under the green “Information to Auditors” tab on the [Auditing](#) web page. This summary addresses changes for FY 2017. Legislative changes for FY 2019 may be found in the [2017 K-12 Legislative Summary](#), located at the bottom of the [OPI Legislative Updates](#) web page.



Changes to School Finance in FY 2019 or Special Requests

The following changes were effective July 1st, 2018:

- Implementation of the Type E school bus. This school bus is a “non-traditional” school bus type allowed in statute under [§ 20-10-101 \(4\)\(a\)\(ii\), MCA](#) and in [the 2018 Montana School Bus Standards](#), page 48. If a school district chooses to use a Type E school bus, the district is required to conduct a cost analysis in comparison to a “traditional” school bus per [§ 20-10-148, MCA](#). Please verify this cost analysis is on file with the school district.
- The OPI is requesting auditors review two specific items:
 1. If a school district has entered an Amount Approved on Ballot by Voters in the FY 2019 general fund budget, the OPI requests verification the amount requested in the MAEFAIRS system is the same as the additional amount approved by the electors of the school district.
 2. If the district has transferred funds through a transfer account string, the OPI requests the auditor review the transfer was compliant with MCA and ARMS.
- **Reminder:** A change has been made to building reserve fund 61 with the addition of a permissively levied authority. Reference to this new levy is addressed in [§ 20-9-502\(3\), MCA](#). 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 School Finance webpage, click on the green [Accounting](#) tab, and review the [Building Reserve Guidance](#) document. Allowable uses for the permissively levied funds are also listed in the guidance document.
- **Reminder:** Districts are required to notice any anticipated increase in non-voted levies as addressed in [§ 20-9-116, MCA](#) by March 31st. Please verify this notice was completed.

- Reminder: As determined in 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 About School Finance](#) web page for more information.
- Reminder: Per [ARM 10.22.105](#), school districts can have a negative fund balance in the debt service fund at the end of the fiscal year.

Informational Items for Reference:

Administrative Rule of Montana (ARM) and MCA Compliance Items

The following sections are areas the OPI would like auditors to focus on when reviewing compliance with specific rules or statutes. 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.

High Risk Assessments

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.

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 on file signed and completed copies of transportation claims.

[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. Areas of high focus are first aid and CPR certification, 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, including a criminal history background check.

Standards for School Buses – Mandatory Bus Driver Training

[§ 20-10-111, MCA](#) Duties of the 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 [2018 Montana School Bus Standards](#) located on the [OPI Pupil Transportation](#) web page.

Please ensure compliance with Driver In-service Training Program, 2(1)(i), page 55 of the [2018 Montana School Bus Standards](#), 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 Pupil Transportation](#) web page. 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, 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)

§ 20-9-311, MCA 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.

Non-Materialized Anticipated ANB Increases

§ 20-9-314, MCA

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-materialized ANB received a letter from the OPI stating how much local levied funding needed to be set aside from FY 2019 funds and budgeted in FY 2020. 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".

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.

[§ 20-7-117, MCA](#). 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 Flath at Kara.Flath@mt.gov or (406) 444-3249.

State Tuition and State Placement

[§ 20-5-320, MCA](#). 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.

[§ 20-5-324, MCA](#). 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.

[§ 20-9-707, MCA](#). 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 Flath at Kara.Flath@mt.gov or (406) 444-3249.