

# AUDIT AWARENESS

OPI School Finance



Putting Montana Students First **A+**

# OPI IN YOUR BUSINESS?

**OPI statutory obligation to ensure reports completed**

- **MCA 2-7-503 - Financial reports and audits of local government entities.** The superintendent of public instruction shall prescribe the reporting requirements for school districts.
- **MCA 2-7-514 - Filing of audit report and financial report.** The state superintendent of public instruction shall file with the department a list of school districts subject to audit under 2-7-503(3).

# LOCAL GOVERNMENT SERVICES

7-6-611. Role of department of administration.

(1) The department of administration shall prescribe for all local governments:

- (a) general methods and details of accounting in accordance with generally accepted accounting principles as provided in 2-7-504;
- (b) uniform internal and interim reporting systems as part of the uniform reporting systems provided for in 2-7-503;
- (c) the form of the annual financial report as provided in 2-7-503; and
- (d) general methods and details of accounting for the annual financial report as provided in 2-7-513.

(2) Local governments shall file with the department of administration:

- (a) an annual financial report within 6 months of the fiscal yearend; and
- (b) an audit report within 12 months of the end of the audited period.

(3) The governing body of each county or municipality shall notify the department of administration in writing, on a form prescribed by the department of administration, of the creation, dissolution, combination, or other legal alteration of any special purpose district within the county or municipality.

(4) Each special purpose district shall obtain a permanent mailing address and notify the department of administration of the address and of any subsequent changes of the district's address.

# AUDIT THRESHOLDS

Type of Audit or Review Required:	Threshold	Contractor	Term	Comments:
(State law) Review Due June 30	*REVENUES (All Funds) \$750,000 or less	By Contracted Auditor The OPI or Dept. of Administration will notify district. Contract must be done through the Dept. of Administration as 3rd party	One year at a time with a rotating 4-year schedule.	A review of procedures, especially for recording and reporting revenues and expenditures.
(State Law) Regular (Yellowbook Audit) Due June 30	*REVENUES (All Funds) More than \$750,000	By Contracted Auditor Dept. of Administration has standard contracts and a roster of authorized Auditors	Usually Annual	May be for two years, if approved by Department of Administration.
(Federal Law) Federal Audit Due March 31	FEDERAL EXPENDITURES (Including USDA Commodities) \$750,000 or more	By Contracted Auditor Department of Administration has standard contracts and a roster of authorized Auditors.	Annual	Regular Audit, plus additional procedures to review and report on federal programs.

# DOA – LOCAL GOVERNMENT SERVICES

Good resource for training or information updates

<http://sfsd.mt.gov/LGSB>

How do I know what schools are audited for?

School district compliance supplements located:

[http://sfsd.mt.gov/LGSB/Forms/AuditReviewProgram/4\\_ComplianceSupplement/4\\_SchoolDistricts](http://sfsd.mt.gov/LGSB/Forms/AuditReviewProgram/4_ComplianceSupplement/4_SchoolDistricts)

# OPI RESOURCES

[http://opi.mt.gov/Finance-Grants/schoolfinance/Index.html#p7GPc1\\_3](http://opi.mt.gov/Finance-Grants/schoolfinance/Index.html#p7GPc1_3)

- Requirements of Audits
- Audit processes
- News
- Information for schools
- Information for auditors

# AUDIT OPINIONS FY 2015

Opinion	Number Audits
Agreed-Upon Procedures	109
Disclaimer	14
Qualified	131
Unmodified	641
Unqualified GAAP	4
<b>Grand Total</b>	<b>899</b>

# MOST COMMON FINDINGS

Audit Recommendation	Number Schools
Inadequate segregation of duties	51
SAS 115 - preparation of fin stmts	50
Extracurricular accounting	39
Fixed Asset records not correct	25
OPEB -GASB 45 Not Recorded/Incorrect	25
Audit submitted late	24
*Reconciliation to County Treasurer	20
*Budget authority exceeded	19
Cash related findings - overdraft, deposits, recon	18
*Enrollment/ANB Over/understated	17
Year-end entries -accruals	14
TFS not in balance with accounting records	13
Insufficient Aggregate Hours, MCA 20-1-301	12
Expenditure without proper approval/documentation	11
School Lunch - All findings	9



# MOST COMMON REPEAT FINDINGS

Finding	School Count
Inadequate segregation of duties	45
SAS 115 - preparation of fin stmts	42
OPEB -GASB 45 Not Recorded/Incorrect	18
*Enrollment/ANB Over/understated	7
Extracurricular accounting	7
TFS not in balance with accounting records	5
*Reconciliation to County Treasurer	4
Title I - All findings	4
Audit submitted late	3
Cash related findings - overdraft, deposits, recon	3
Credit card charges - internal control	3
School Lunch - All findings	3

# HIGH RISK ASSESSMENTS

Risk Assessment Checklist						
School Finance staff will evaluate the subgrantee in each audit or review cycle using this checklist.						
					High Risk =	51-100%
					Watch =	26-50%
					Low Risk =	0-25%
SS #s					Current Risk Rating	
School System Name:					LOW RISK	0%
Reviewer:					(Check Characteristics below)	
Date:					Last year risk level 20%	
Year of Audit or Review:						
Characteristics	Less Risk		More Risk		Possible Risk Pts = 100	Entity's Risk Points
Audit Type Required? (Federal / Yellow Book / Review)	Review – STOP, no further assessment required		N/A	x	0	0
Already designated as "High-Risk"?	No		Yes -		5	
Recent audit was "clean" (i.e., no findings)?	0-3 Minor Findings		More than 3 findings, or findings are not minor		5	
Type of audit opinion issued on the financial statements of the most recent audit?	Unqualified/unmodified OR Qualified without a scope limitation (such as OPEB qualification)		Disclaimer of opinion (based on scope limitation) OR Adverse <i>(Consider for immediate high risk designation)</i>		20	
Indications of fiscal instability, such as serious cash flow difficulties, over expended budgets, negative cash or fund balances, over expended grant projects, lack of cash reconciliations making it impossible to know the status of accounts, etc.?	No		Yes <i>(Consider for immediate high risk designation)</i>		20	

# HIGH RISK ASSESSMENTS

For Federal audits, were internal control <u>material weaknesses</u> identified?	No OR Yes, but OPI determined the problem identified as a significant deficiency doesn't affect Federal awards made by OPI and waives this.	Yes	5	
For Federal audits, were internal control <u>significant deficiencies</u> identified?	No OR Yes, but OPI determined the problem identified as a significant deficiency doesn't affect Federal awards made by OPI and waives this.	Yes	5	
Audit disclosed one or more <u>findings of noncompliance that could have material effect on Federal programs</u> ?	No OR Yes, but OPI determined the problem identified as a material weakness doesn't affect Federal awards made by OPI and waives this.	Yes	15	
Significant, serious, and/or numerous repeated audit findings?	No	Yes	10	
OPI site visits or other monitoring actions by OPI during the past year found instances of serious noncompliance related to Federal or state grant programs?	No	Yes	5	
Most recent audit report was submitted late? OR Entity has not submitted an acceptable audit response yet?	No OR Yes, but auditor's fault	Yes	5	
Fiscal close-out reports, final program reports, and/or any required data collections such as AIM, TEAMS, etc. were submitted late, inaccurate, or incomplete?	No	Yes	5	
Office of Public Instruction	(Template Version 5-2015)	TOTAL	100	0

# AUDIT RESPONSES

Best responses include:

- Person responsible, timeline, specificity of action, and completion date

OPI needs to see action plan of *has* implemented the corrective action

# STRUGGLING?

Call OPI Auditor for help – Dan Moody 444-0721

[Dan.Moody@mt.gov](mailto:Dan.Moody@mt.gov)

Call OPI School Finance staff –

Kathleen Wanner- 444- [kwanner@mt.gov](mailto:kwanner@mt.gov)

Kara Sperle – 444-3249 [ksperle2@mt.gov](mailto:ksperle2@mt.gov)

Call your auditor who you are contracted with  
(they are limited on being able to help and still audit)