



DATE: September 1, 2021

TO: Auditors of Montana School Districts

FROM: Barbara Quinn, School Finance Division Administrator

RE: School District Audits FY2021

The information provided in this letter was compiled from the review of FY 2020 audits, the FY 2020 Trustees' Financial Summary (TFS), and the 2021 Montana Legislative session. Active hyperlinks are located throughout this document where websites are mentioned. Much documentation and information is located in the [OPI School Finance Division](#) website under the [Auditing](#) section. Please be sure to use Appendix A (found under the Information to Auditors webpage and available in both Word and Excel) to compare enrollment counts by elementary, middle school, and high school budget units.

### **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, 2021.
2. List special items the agency would like auditors to review for compliance with statute and administrative rule.
3. Remind auditors to use the required schedule – Attachment A found on the OPI website under Auditor information.

### **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](mailto: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 processing.

### **Submission of Audit Reports to the OPI**

Montana Code Annotated [§20-9-213\(7-9\), MCA](#), requires copies of all financial audit reports be sent to the OPI at [OPIAuditReports@mt.gov](mailto:OPIAuditReports@mt.gov). Additionally, please continue to send audit reports to the Department of Administration in compliance with [§2-7-503\(1\), MCA](#). Please submit all reports in the format requested.

### **School Finance Division Website**

The [OPI School Finance Division](#) website is updated with the most recent information available. An "Information to Auditors" section can be found on the [Auditing](#) webpage. 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](#) webpage. An [Agreements, Claims, and Data](#) website contains claims, payment, and reporting information. The FY2021 Value of Donated Commodities is 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](mailto:Dan.Moody@mt.gov) or (406) 444-0701 for login information.

### **Legislative Summary**

Legislative changes for FY2021 can be located at the bottom of the OPI home page in [OPI's 67th Legislative Summary Document](#).

### **Management Discussion and Analysis**

The OPI requests auditors ensure the districts disclose if the district was assessed as High Risk or as a Watch status by the OPI in the prior fiscal year. If the district was designated as High Risk or Watch, the district must state what ramifications resulted from that assessment and what progress has been made since the last assessment. In addition, the district should state any changes since the prior audit that could affect the risk of the district such as key personal changes or accounting software changes.

### **Corrective Action Plan (CAP) Requirements**

The OPI requests auditors to inform school districts that corrective action plans (CAP) submitted in response to audits must include the following items:

1. The person responsible for the implementation of corrective actions.
2. A detailed timeline of actions to be taken with specific dates of implementation and completion.
3. Specific actions to be taken by the responsible person.
4. If the Audit Finding was corrected during the audit, the district will present a plan to avoid a similar finding in the future.

Without the required list of items in the corrective action plans, the OPI will **not** accept the CAP and will require the district to resubmit for approval.

### **Information on Federal ESSER I, II, & III Funds**

[HR 748 CARES](#), [HR 133 CRRSAA](#), [HR 1313 ARPA](#)

Significant COVID grant aid has been made available to Montana schools through the Elementary and Secondary School Emergency Relief (ESSER) funding. These funds were enacted through three separate federal legislative acts CARES (ESSER I), CRRSAA (ESSER II), and ARPA (ESSER III). The allowable uses for these funds are generous. All planned expenditures have been pre-approved by the OPI and have been found to demonstrate the districts efforts to prepare, prevent, and/or respond to COVID-19. LEA's completed three rounds of grant applications that detail how they plan to utilize the funds and articulate how these expenses are connected to COVID preparation, prevention, and/or response. These applications were reviewed and approved by OPI before funds were distributed to LEAs.

Auditors should monitor the following activity related to ESSER fund utilization by LEA's: (H.R. 748 116<sup>th</sup> Congress Public Law No:116-136)

- 1) Expenditures are clearly tied to COVID-19 preparation, prevention, and/or response.
- 2) Expenditures are for allowable activities in accordance with the LEAs approved e-grants application and supported with appropriate documentation.
- 3) Expenditures for equipment over \$5,000 is appropriately tagged and inventoried.
- 4) Expenditures on technical computing equipment that is under \$5,000 is appropriately tagged and inventoried.
- 5) Capital expenditures that are above the State Capital Assets Threshold were pre-approved by OPI.
- 6) Districts (LEA) have a documented budget in E-Grants for utilizing ESSER funds for ESSER I, II, & III.
- 7) Districts (LEA) utilizing ESSER III funds have posted to their website (or if not website, have made publicly available) their ARP ESSER Plan and their Safe Return to In-person Instruction and Continuity of Services Plans.

LEA's will be reminded that ESSER funds can be utilized to address cost associated with ESSER fund management including audit costs.

For information regarding ESSER funds, please visit the [OPI ESSER](#) webpage. For any additional information, contact Jeff Kirksey at [jeffrey.kirksey@mt.gov](mailto:jeffrey.kirksey@mt.gov) or (406) 444-0783.

### **Type E Bus Analysis**

If the school district did utilize the Type E school bus, please verify the districts completed a cost analysis required by [§20-10-148, MCA](#). There is no standardized or required format for the cost analysis. Additional questions relating to this can be directed to Donell Rosenthal at [drosenthal@mt.gov](mailto:drosenthal@mt.gov) or (406) 444-3024.

### **Reminders**

- The OPI is requesting auditors review these specific items:
  - If a school district has a debt service fund please verify the district is in compliance with the operating reserve allowances provided in [§20-9-438\(3\), MCA](#), which allows for an operating reserve. The operating reserve must only be used for principal and interest payments due from July 1 through November 30.
  - Districts are required, by March 31<sup>st</sup>, to notice any anticipated increase in non-voted levies per [§20-9-116, MCA](#). Please verify this notice was completed.

### **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 by the auditor, as deemed appropriate. The [Administrative Rules of Montana](#) and [Montana Code Annotated](#) are key resources for auditors.

#### **Fraud Reporting Requirements**

For your reference and due to the large amount of ESSER dollars distributed, please see the Department of Education Office of Inspector General [guide](#) on the Auditing webpage under Information to Auditors.

#### **Debt Service Fund**

Please refer to [§20-9-133\(3\), MCA](#) regarding negative balances in Debt Service Fund. An audit finding does not result if there is money available.

#### **High Risk Assessments**

All federal audits for the previous fiscal year have a high-risk assessment completed by the OPI. Upon request, the assessment will be sent to the audit firm when the audit information is provided. If you do not receive this assessment, please e-mail your request to [Dan.Moody@mt.gov](mailto: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 districts have recorded the same amounts for transportation claims that counties have received on the signed and completed copies.

##### [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 FY2021 are the [2018 Montana School Bus Standards](#) located on the OPI Pupil Transportation webpage.

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](#) webpage. For any additional information, contact Donell Rosenthal at [drosenthal@mt.gov](mailto: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 allocations allowed in rule that are defensible regarding each fund, especially the transportation fund which has a 50% county match.

#### [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 non-allowable activities.

#### [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 except as 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 accounted for properly, and no single person controls an accounting transaction beginning to end.

For information regarding general accounting practices, please visit the [Accounting](#) tab on the School Finance webpage. For additional information, contact Renee Richter at [Renee.Richter@mt.gov](mailto:Renee.Richter@mt.gov) or (406) 444-1960 or Mari Haefka at [Mari.Haefka2@mt.gov](mailto:Mari.Haefka2@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 as outlined in rule and the counts are accurately reported. We strongly recommend auditors use the enrollment schedule provided at the [Auditing](#) tab.

### **Aggregate Hours**

Please validate that 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 tax revenue associated with the non-materialized ANB. The districts with non-materialized ANB received a letter from the OPI stating how much local levied funding is needed to be set aside from FY2020 funds and budgeted in FY2021. This will be accounted for on the OPI Maefairs Trustees' Financial Summary (TFS) developed balance sheet in the general fund budget anticipated revenue line labeled "46 - Non-Materialized ANB - Excess Levy".

For information regarding this section, please visit the [Student Count ANB webpage](#). For any additional information, contact Nica Merala at [nmerala@mt.gov](mailto: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 children who are not 5 years old on or before September 10<sup>th</sup> of the school year have individual board approval. Students reported as kindergarten must meet both the instructional hours and curriculum requirements.

For any additional information, contact Nicole Thuotte at [nthuotte@mt.gov](mailto:nthuotte@mt.gov) or (406) 444-4524.

## **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 available on the [OPI website](#). Districts may levy actual costs in the year after attendance or estimated costs 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 using actual costs 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 approved agreements are in place and support 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) 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](mailto:nthuotte@mt.gov).

Thank you for your time and attention in these areas of concern. If you have any questions or concerns, please contact Dan Moody, Auditor, at [Dan.Moody@mt.gov](mailto:Dan.Moody@mt.gov) or (406) 444-0701 or Barbara Quinn, School Finance Administrator at [Barbara.Quinn@mt.gov](mailto:Barbara.Quinn@mt.gov) or (406) 444-3249.