



DATE: June 19, 2020

TO: Auditors of Montana School Districts

FROM: Kara Flath, School Finance Division Administrator *Kara Flath*

RE: School District Audits for FY 2020

The information provided in this letter was compiled from the review of FY 2019 audits, the FY 2019 Trustees' Financial Summary (TFS), and the 2019 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, 2020.
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 and included with this letter.
4. New this fiscal year is the aggregate hours schedule included with this letter and posted on the OPI webpage. Please do not include any summer school programs. (Please note the aggregate hours requirement for school year 2019-2020 is primarily waived. See the [School Closures](#) section below.)

Auditors are required to use the FY 2020 Appendix B Aggregate Hours Schedule and separate, working with the appropriate school district personnel, the aggregate hours into three categories:

- I. The actual aggregate hours from the start of the school year thru March 15<sup>th</sup>, 2020.
- II. The scheduled aggregate hours, based on the districts originally planned school calendar submitted to the OPI, from March 16<sup>th</sup>, 2020, thru May 6<sup>th</sup>, 2020.
- III. The expected balance of the aggregate hours from May 7<sup>th</sup>, 2020, to the end of the school year, based on the originally scheduled school calendar.

### **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 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](mailto: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 is updated with the most recent information available. 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 2020 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](mailto:Dan.Moody@mt.gov) or (406) 444-0701 for login information.

### **Legislative Summary**

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 2020 or Special Requests**

The following changes were effective July 1<sup>st</sup>, 2019:

#### **School Closures**

The Governor issued Executive Order and Executive Directives effecting school districts during the 2019-2020 school year. They are as follows:

[Executive Order No. 2-2020](#) – Declaration of State of Emergency.

[Executive Order No. 3-2020](#) – Amend First Declaration of State of Emergency to run concurrent with President’s Declaration of Emergency.

[Directive on Implementing Executive Orders, Measures to Combat Spread of COVID-19 3.15.20](#)

- ✓ Schools are ordered closed through March 27<sup>th</sup>, 2020, with full school funding so long as districts arrange for student meals and provide for other student services during the closure period.

[Directive Further Guidance on Schools 3.19.20](#)

- ✓ The Governor waived aggregate hours through March 27<sup>th</sup>, 2020, with full school funding so long as districts arrange for remote learning, student meals, services to students with disabilities, and provide for other student services during the closure period. This funding includes transportation payments as well as all direct state aid.
- ✓ If schools are closed beyond this period, schools will need to develop a plan to make up the instructional hours through remote learning through a plan submitted to the Governor and approved by the Governor.
- ✓ The education community is tasked with surveying the districts to find out the extend school districts are providing remote learning, meals, services to student with disabilities, and other services customarily provided to students in school.

[Directive on Extension of Closures, Mandates Social Distancing 3.24.20](#)

- ✓ The Governor ordered schools closed through April 10<sup>th</sup>, 2020, with the approved waiver of aggregate hours if districts continue to provide remote learning, meals, services to student with disabilities, and other services customarily provided to students in school.
- ✓ The districts are required to submit plans to the Board of Trustees then to the Governor for approval and to obtain the waiver of aggregate hours if the plans are approved.
- ✓ If the plans are not approved, the district will be required to make up the instructional time lost and could be eligible for additional state funds under the supplemental bill, HB 3 appropriations.

- ✓ (Note: All districts submitted plans and were approved by the Governor.)

#### [Directive on Elections 3.25.20](#)

- ✓ The deadline for mail ballot elections is extended to April 1<sup>st</sup>, 2020, to allow for additional districts to plan for mail ballot elections.
- ✓ School districts, through county superintendents, can cancel elections due to a state of emergency. See [§20-20-108, MCA](#).

#### [Directive on Stay at Home 3.26.20](#)

- ✓ Reinforces directive from 3/24 stating schools, public and private, are closed through April 10<sup>th</sup>, 2020, with the continued plan of providing services outlined in the 3/24 directive.

#### [Directive on Extending Motor Vehicle Deadlines, Provide Services Online and by Mail 4.2.20](#)

- ✓ Commercial Drivers License renewals are administered consistent with the Federal Motor Carrier Safety Administration (FMCSA) waiver. ([FMCSA Waiver](#))
  - Drivers with valid CDL's on February 29<sup>th</sup>, 2020, will remain valid through June 30<sup>th</sup>, 2020.
  - Driver with a valid medical certificate on February 29<sup>th</sup>, 2020, will remain valid through June 30<sup>th</sup>, 2020.
- ✓ (Note: The OPI staff will work with districts on a case by case basis for renewals of bus drivers' training hours, First Aid, and CPR renewals consistent with the FMCSA guidelines.)

#### [COVID-19 FAQs 4.5.20](#) – For context only.

#### [Directive on Extension of Directives 4.7.20](#)

- ✓ Schools remain closed through April 24<sup>th</sup>, 2020, with the same stipulations that districts aggregate hours are waived if the district continue to provide remote learning, meals, services to student with disabilities, and other services customarily provided to students in school as submitted in the plans approved by the Governor.
- ✓ If the plans are not approved, the district will be required to make up the instructional time lost and could be eligible for additional state funds under the supplemental bill, HB 3 appropriations.
- ✓ Implementation of the online (student) privacy protections, in compliance with [§20-7-1326, MCA](#), is suspended.

#### [Directive on Phased Reopening of Montana and Establishing Conditions for Phase One 4.22.20](#)

- ✓ Schools remain closed through May 6<sup>th</sup>, 2020, with the same stipulations that districts aggregate hours are waived if the district continues to provide remote learning, meals, services to students with disabilities, and other services customarily provided to students in school as submitted in the plans approved by the Governor.
- ✓ Beginning May 7<sup>th</sup>, 2020, aggregate hours are no longer waived, and schools have options at the discretion of local school boards which can be a combination of any of the choices below:
  1. Return to in-classroom teaching while following the steps included in the Big Sky Phased Approach.
  2. Continue the remote or alternative learning models.
  3. Declare a local emergency through steps provided in [§20-9-806, MCA](#), with a resolution approved by the local board of trustees.

#### **Instructions on navigating aggregate hours during FY 2020:**

- The aggregate hour requirements listed in [§20-1-301, MCA](#), are waived from the timeframe of March 16<sup>th</sup> to May 6<sup>th</sup>, 2020, if the district submitted and followed a Governor approved remote educational plan. All districts submitted and had an approved plan. So long as the district followed the submitted plan, the “originally planned school calendar days” for that timeframe is discounted from the minimum aggregate hours for all districts.
- From May 7<sup>th</sup> beyond, districts were advised to use one of the following paths, or any combination of the following paths, to finish out the school year:
  1. Using [§20-9-806, MCA](#), the Board of Trustees can declare an unforeseen emergency and according to the Governors directive dated 4.22.20, the districts continue to receive full funding regardless of the

aggregate hours fulfilled by the district. This is documented through a board resolution that is approved and noted in board minutes.

2. Declare student proficiency:
  - a. To declare a student proficient, the district must have an existing board approved proficiency assessment and each student must meet the proficiency requirement.
  - b. Students who are not proficient must have the required aggregate hours, according to the school calendar of the districts from May 7<sup>th</sup> to the end of the school year.
  - c. Students not proficient and not meeting the aggregate hours should be included in a finding for review by the OPI.
3. Continue with remote learning as allowed in [§20-7-118, MCA](#), which allows for offsite education services.
4. Return to on site learning in the school district understanding the district must comply with the recommendations listed in the [directive dated 4.22.20 in Appendix A](#).
  - If a district does not establish one of those four or any combination of the four allowances, then the district should have a finding if the aggregate hours are not met, excluding the hours from March 16<sup>th</sup> to May 6<sup>th</sup>, according to the originally planned school calendar. These findings will be reviewed by the OPI for compliance and possible corrective actions.
  - None of the aggregate hours' waivers release a district from the accreditation standards listed in ARM which will be assessed and evaluated during the district's accreditation review.

#### **Other OPI Instructions during the closure or remote learning period:**

- Information relating to the OPI guidance during the school closure period is found [HERE](#).
- The [Federal CARES Act](#) information and the OPI CARES Act Guidance document is found [HERE](#). Specific information relating to coding and expenditure allowances are found on the webpage [HERE](#).
- Transportation fund allows for the cost of providing correspondence courses. Because the landscape of learning was through distance learning, the allowances to the transportation fund may be different in FY 2020. Please review the guidance document [HERE](#) to determine if a district was compliant with expenditures.
- The state will continue to pay for second semester transportation claims as if the district were fully operational in the second semester. Districts are responsible for claiming actual days provided up until March 16<sup>th</sup>, then from that point the OPI will pay days based on the originally planned school calendar days. This change is authorized with the Governor's Directive dated 3/19/2020.

#### **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 needs to state what ramifications resulted from that assessment and what progress was made since the last assessment. In addition, the district should state any changes that could affect the risk of the district such as changes in key personal or accounting software changes since the prior audit.

#### **Corrective Action Plan Requirements**

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

1. Person responsible to complete action.
2. A timeline of actions to be taken with specific dates of expected completion.
3. Specific actions to be taken by the responsible person.

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.

## **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 which is limited and must be used for principal and interest payments due from July 1 through November 30 only.
  - Districts are required to notice any anticipated increase in non-voted levies as addressed in [§20-9-116, MCA](#) by March 31<sup>st</sup>. Please verify this notice was completed.
  - Districts are required to transfer funds internally to compensate for the loss of the transportation block grant. 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.

## **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 when the audit information is requested. 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 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](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 allowed allocations in rule and have defensible allocations to each fund, especially the transportation fund which has a 50% county match levied to taxpayers.

#### **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 Renee Richter at [Renee.Richter@mt.gov](mailto:Renee.Richter@mt.gov) or (406) 444-1960 or Mari Haefka at [Mari.Haefka@mt.gov](mailto:Mari.Haefka@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](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 youth 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 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](mailto: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](mailto:Dan.Moody@mt.gov) or (406) 444-0701.





**Students Grade 9 – 12:**

Full-Time Students:

<b>Fall Enrollment-EI District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Grade 9 - 12			
19-year olds included			
Job Corps			
Youth challenge			
<b>Spring Enrollment-EI District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Grade 9 - 12			
19-year olds included			
Job Corps			
Youth challenge			
Early Graduates			

Part Time Students:

<b>Fall</b>	<b>Per MAEFAIRS Enrollment Reports</b>				<b>Per District Reports</b>				
<b>Grade</b>	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<b>Difference</b>
9 - 12									
<b>Spring</b>	<b>Per MAEFAIRS Enrollment Reports</b>				<b>Per District Reports</b>				
<b>Grade</b>	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<b>Difference</b>
9 - 12									



## Appendix B

### Aggregate Hours Schedule School Year 2019 – 2020

#### Aggregate Hours:

Please note the actual aggregate hours, not including summer school programs, (based on the school calendars submitted to the OPI) from July 1<sup>st</sup>, 2019, thru March 15<sup>th</sup>, 2020

<u>July 1<sup>st</sup>, 2019, thru March 15<sup>th</sup>, 2020</u>	
Students K – 3:	
Students 4 – 6:	
Students 7 – 8:	
Students 9 – 12:	

Please note the scheduled aggregate hours (based on the school calendars submitted to the OPI) from March 16<sup>th</sup>, 2020, thru May 6<sup>th</sup>, 2020.

<u>March 16<sup>th</sup>, 2020, thru May 6<sup>th</sup>, 2020</u>	
Students K – 3:	
Students 4 – 6:	
Students 7 – 8:	
Students 9 – 12:	

Please note the expected balance of aggregate hours (based on the school calendars submitted to the OPI) from May 7<sup>th</sup>, 2020, thru the end of the school year.

<u>May 7<sup>th</sup>, 2020, thru the end of the school year</u>	
Students K – 3:	
Students 4 – 6:	
Students 7 – 8:	
Students 9 – 12:	