AUDIT AWARENESS

OPI School Finance

OFFICE OF PUBLIC INSTRUCTION
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OPI IN YOUR BUSINESS?

OPI has statutory obligations to ensure reports are completed.

- **§2-7-503, Montana Code Annotated (MCA) Financial reports and audits of local government entities.** The superintendent of public instruction shall prescribe the reporting requirements for school districts.
- **§2-7-514, MCA 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).

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LOCAL GOVERNMENT SERVICES

§7-6-611, MCA 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.

LOCAL GOVERNMENT SERVICES

§7-6-611, MCA Role of department of administration. (cont'd)

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.

CORRECTIVE ACTION PLANS OR CAPS

Corrective action plans (CAPS) address audit findings or recommendations when an audit has been completed.

MCA 2-7-515 (1) requires an audited local government entity to review the audit report and, within 30 days of receipt, submit a corrective action plan detailing what action or actions the entity plans to take on any findings or recommendations contained in the audit report.

MCA 2-7-515 (2) requires the department to notify the entity of the acceptance or rejection of the corrective measures. If the department and entity fail to agree on corrective measures, a conference will be held.

MCA 2-7-515 (3) failure to resolve significant findings or implement corrective measures must result in the withholding of financial assistance in accordance with rules adopted by the department pending resolution or compliance.

CORRECTIVE ACTION PLANS OR CAPS

Why is LGSB following up on CAPs?

To prevent withholding of financial assistance per MCA 2-7-513 and claims under MCA 2-7-523, MCA 7-6-4038 or SB302 (2019 Legislative Session).

- A person may file a claim with the Department of Administration (DOA), alleging noncompliance for a period of 2 years following the applicable deadlines outlined in MCA, with the following statutory obligations:
- Adoption or submission of annual operating budget;
- Submission of an annual financial report;
- Completion and submission of an audit or financial review report; or
- Resolution of significant audit findings or implementation of corrective measures.

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CORRECTIVE ACTION PLANS OR CAPS

Findings will be reviewed by LGSB and determined to be significant or other.

Significant findings are related to

- Cash,
- Budgets,
- and going concern.

Other finding categories, that if material, may be considered significant include:

- Related to grant funds,
- Reporting deadlines,
- County Collections,
- Charges for Services,
- Debt and long-term debt,
- Disclaimers or adverse opinions from the auditor,
- Number of findings,
- Related to fraud or abuse,
- Related to custodial funds, or
- Prior period adjustments.

CORRECTIVE ACTION PLANS OR CAPS

Your Corrective Action Plan should address the four W's.

- <u>**Why**</u> did the deficiency occur?
- <u>**What**</u> is being done to correct the deficiency?
- <u>**Who**</u> is responsible for correcting the deficiency?
- <u>**When**</u> will the corrective measures be implemented?

RISK ASSESSMENTS

Process

As of Fiscal Year 2017, Reviews and State Audits are included in the annual risk assessment. Prior only Federal Audits are included.

1. Audits are reviewed by OPI and the findings are entered into the Risk Assessment spreadsheet.
2. The OPI reviews the results, and prepares summaries containing school information, recent history, seriousness of findings, and auditor recommendations.
3. Committee of Finance Department personnel will then review auditor recommendations, add or subtract and a consensus is reached.
4. OPI auditor then meets with the Superintendent and Deputies and explain and review our recommendations.

RISK ASSESSMENTS

Process

5. When the review is completed and final decisions have been made, audit letters are sent.
6. The audit letters inform the district of either “High Risk” status or “Watch” status.
7. Before letters are sent to the school Board Chairperson, the OPI attempts to contact district clerks to inform them of their status.
8. Following these steps, an OPI auditor will be in contact with each location with “High Risk” or “Watch” status, to determine corrective actions and/or what assistance OPI can provide to help the district make the required improvements.

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				
School System Name:				
Reviewer:		Current Risk Rating	LOW RISK	0%
Date:		(Check Characteristics below)		
Year of Audit or Review:		Last year risk level 20%		

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 *(Consider for immediate high risk designation)*		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 (Consider for immediate high risk designation)		20	

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Risk Assessment Checklist

School Finance staff will evaluate the subgrantee in each audit or review cycle using this checklist.

For Federal audits, were internal control material weaknesses 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 significant deficiencies 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 findings of noncompliance that could have material effect on Federal programs?	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

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MOST COMMON AUDIT FINDINGS FY-2020

Audit Findings	
Inadequate Segregation of Duties	25
SAS-115 Preparation of Financial Statements	32
OPEB-GASB 45 Not Recorded/ Incorrect	19
Extracurricular Accounting	39
Fixed Asset records not correct	33
Cash related and reconciliations	39
Year-end accruals, expenditures/revenue	40
Payroll, all findings	16
Budget authority or negative balances	19
School Lunch-all findings	4
Enrollment ANB/ over or understated	17

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DOA – LOCAL GOVERNMENT SERVICES

Training or information updates resource:

http://sfsd.mt.gov/LGSB

- How do I know the audit criteria for schools?

School district compliance supplements:

http://sfsd.mt.gov/LGSB/Forms/AuditReviewProgram/4_Compliance Supplement/4_SchoolDistricts

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.
<u>(Federal Law)</u> **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.

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OPI RESOURCES

http://opi.mt.gov/Leadership/Finance-Grants/School-Finance/School-Finance-Auditing

- Audit requirements
- Audit processes
- News
- Information to schools
- Information to auditors

QUESTIONS?

Call the OPI Auditor for help:

- Dan Moody, 444-0721, Dan.Moody@mt.gov

Call the OPI School Finance staff:

- Barbara Quinn 444-3249, Barbara.Quinn@mt.gov

Call the auditor on contract with your school or district.

- Be mindful that auditors are often limited to contractual obligations and stipulations.