

LarsonAllen

## Accounting, Financial Management and Audits


presented by:

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## Audit Requirements and Timelines

- School Districts are required to be audited every year
  - If applicable, the audit must be done in accordance with the provisions of OMB Circular A-133 (Single Audit)
  - The audit must be done in accordance with Generally Accepted Auditing Standards and Government Auditing Standards (yellow book)
  - The audit must be done in accordance with the Minnesota legal compliance audit guide issued by the office of the state auditor

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## Presentation Objectives

- Review Audit Requirements
- Discuss the Role of the Auditor
- Preparation for the Audit
- Discuss Selection of the Auditor
- Financial Management

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## Audit Requirements and Timelines

- Other Items
  - The audit report must include a copy of the UFARS compliance table
  - Corrective action plans should be included for all state and federal compliance findings and for any reportable conditions, including legal compliance
  - Management letters are to be sent to the MN Dept. of Education
- Student Activity Funds are also required to have an audit unless they are under board control and accounted for in the General Fund of the District

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**Table Four: Districts & Charter Schools – Fiscal Years 1990 through 2008**  
 Negative Net Unappropriated Operating Debt and Statutory Operating Debt

Category	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
School Districts										349	347	346	345	343	343	343	343	343	340	
Charter Schools										29	40	56	68	82	87	112	134	139	149	
Total	436	430	425	413	401	395	378	374	378	387	402	416	411	433	455	477	482	489	496	
Net Negative Unappropriated Operating Fund Balance (1,2,4)	71	79	82	87	68	33	27	29	33	52	56	///	///	///	///	///	///	///	///	
Net Negative Unappropriated General Fund Balance	New SOD Calc										71	69	55	40	32	31	36	44	36	
Active Units in Statutory Operating Debt	52	47	48	54	59	29	17	19	15	31	33	45	40	25	25	24	22	24	18	

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- ### Role of the Auditor
- Internal controls are the responsibility of management.
  - Auditors can be hired to perform other services
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- ### Role of the Auditor
- The auditor's responsibility is spelled out in the audit engagement letter
  - Hired to express an opinion on the District's financial statements based on the audit
  - Audit is designed to obtain reasonable assurance that the statements are free of material misstatements
    - based on test of transactions
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- ### Preparation for the Audit
- View the audit as a learning experience
  - Discuss the audit schedule and timelines with the auditors
  - Obtain a list of schedules and work papers to prepare for the auditors
    - Assign responsibility for completion to your staff
    - Assign deadlines - all items should be completed prior to arrival of the auditors
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**List of Audit Schedules for FIRM**  
As of 12/31/2014

Name	Size	Type
CF-1-A Cash and Investments		File Folder
CF-2-B Misc. Receivables		File Folder
CF-3-B1 Taxes Receivables		File Folder
CF-4-B2 State Receivables		File Folder
CF-5-B3 Federal Receivables		File Folder
CF-6-C Inventory		File Folder
CF-7-L Prepaids		File Folder
CF-8-O Other Assets		File Folder
CF-9-IJ Property & Equipment		File Folder
CF-10-W Interfund		File Folder
CF-11-AA Notes Payable and Long-term Debt		File Folder
CF-12-AA1 Severance		File Folder
CF-13-AA2 Short-term Debt		File Folder
CF-14-BB Accounts Payable		File Folder
CF-15-CC1 Ins and Self-Insurance		File Folder
CF-16-CC Account Liab		File Folder
CF-17-001 Deferred Revenue		File Folder
CF-18-00 Other Liabilities		File Folder
CF-19-05 Equity		File Folder
CF-20-P & L Revenue and Expenditure		File Folder
CF-21-SAF Student Activity Funds		File Folder
CF-22-STATE Compliance Tab		File Folder

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Name	Size	Type
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CF-6-C Inventory		File Folder
CF-7-L Prepaids		File Folder
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CF-13-AA2 Short-term Debt		File Folder
CF-14-BB Accounts Payable		File Folder
CF-15-CC1 Ins and Self-Insurance		File Folder
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CF-18-00 Other Liabilities		File Folder
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### Preparation for the Audit

- Maintain copies of the audit work papers for your files (this can be done electronically)
- Make sure you and your staff are available for the days the audit is scheduled
  - During fieldwork, check in with the auditors and let them know your schedule
- Consider preparing the financial statements

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### Preparation for the Audit

- Common problem areas
  - Can't find information related to the federal programs
  - Can't locate bid files
  - Student activity accounts not reconciled or their custodians not available
  - Accounts not reconciled
  - Capital assets not updated

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### BUSINESS OFFICE WORKFLOW ASSESSMENT

As part of the process of providing input for the District's Business Office, we would like your input on which employees of the District should assume the most responsibility for the job function we've listed. Your response should be based only on your own opinion of which position should have the most responsibility for each of the District's current activities and not how you think the District needs to be structured. If you do not believe that the District should have both a Business Manager position and a District Accountant position, you should concentrate only on one of the positions when providing your response. If you believe the District is large enough to need both a Business Manager position and a District Accountant position, then you should determine which job responsibilities for a Business Manager versus a District Accountant. If you believe that the Superintendent and/or Business Manager should assume responsibility for the job function listed, then feel free to select the position for that particular item.

If you are using the Fund program to complete this form, you should be able to use the check boxes provided and simply use your mouse to check off your response. Otherwise, simply print out the form and manually complete it.

NAME: \_\_\_\_\_

DISTRICT: \_\_\_\_\_

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C.P.A., CONSULTANTS & ADVISORS

	Superintendent	Business Manager	District Accountant
Supervise Community Ed Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supervise Buildings and Grounds Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supervise Food Service Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supervise Transportation Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Oversee the Business Accounting and payroll staff Financial accounting records payroll staff and functions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Plan, research, and execute Physical plant and facilities Student activities costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Maintain the District accounting system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Plan, research, and make recommendations regarding options to solve financial problems and long-term business and capital needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Project District's cash needs and prepare future daily and monthly plans for cash management Coordinate Act Anticipation financing program	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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### Top Reasons the School Board Loses Confidence and Heads Roll

- Budget variances too significant (District often unexpectedly in Statutory Operating Debt) – public reaction forces board action
- Budget outcomes not communicated timely enough (if the first indication of ending fund balances is from the auditor—probably not timely enough)
- Budget not appropriately detailed to be meaningful (either too detailed as to be overwhelming or no detail with the “trust me” approach)
- Fund balance information not properly considered (reserves, designations and unreserved-undesignated pieces not broken out)
- Not being forthright with those who could protect you (e.g. resources expended without knowledge of superintendent and board)

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### Top 10 Revenue Budget Problems

- 1 Too Many Eggs in One Basket
- 2 Based on outdated / inaccurate / unrealistic assumptions
- 3 Lack of (or Insufficient) Coordination between Departments
- 4 Not Knowing What You Don't Know
- 5 Business Office Staff Cuts
- 6 Budget is not prepared (or communicated) timely enough
- 7 Understanding of the MARSS reporting system is insufficient
- 8 Lack of Involvement by Those Impacted
- 9 Inadequate level of information to board
- 10 Lack of long-range (2, 3 or 4 years) planning

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