

SCHOOL AUDITS: WHAT TO EXPECT

INDIANA SCHOOL BOARD ASSOCIATION

OCTOBER 2017

REQUIRED AUDIT

INDIANA CODE 5-11-1-9

REQUIRES THE STATE EXAMINER TO EXAMINE ALL ACCOUNTS AND ALL FINANCIAL AFFAIRS OF EVERY PUBLIC ENTITY

IC 5-11-1-25 SETS THE SCHOOL AUDIT SCHEDULE AS BIENNIAL

FEDERAL GRANT AGREEMENTS

GRANT AGREEMENTS COMMONLY CALL FOR AN ANNUAL AUDIT, BUT INDIANA SCHOOLS ARE GENERALLY EXEMPT BECAUSE OF A GRANDFATHER CLAUSE FROM 1986

DEBT COVENANTS AND BOND RATING AGENCIES

MOST FINANCIAL INSTITUTIONS AND BOND RATING AGENCIES ACCEPT THE SBOA AUDIT REPORT FOR THEIR PURPOSES

GOALS

PROVIDE READER OPINIONS ON INFORMATION PRESENTED BY AUDITEE

UNMODIFIED IS A “CLEAN” OPINION LETTING READERS KNOW THE INFORMATION IS MATERIALLY CORRECT

MODIFIED IS LETTING THE READERS KNOW THERE ARE REASONS THAT NEED TO BE TAKEN INTO CONSIDERATION WHEN IT COMES TO THE INFORMATION PRESENTED

PROVIDE READER WITH NONCOMPLIANCE OF FEDERAL REQUIREMENTS FOR MAJOR PROGRAMS AND STATE REQUIREMENTS

FEDERAL – SECTION II (FINANCIAL STATEMENT COMPLIANCE); SECTION III – (MAJOR PROGRAM COMPLIANCE)

STATE – AUDIT RESULT AND COMMENT (SIGNIFICANT OR IMPACTFUL TO THE UNIT OR PUBLIC)

PROVIDE MANAGEMENT WITH LESS SIGNIFICANT NONCOMPLIANCE OF FEDERAL AND STATE REQUIREMENTS

MANAGEMENT LETTER – GENERAL NONCOMPLIANCE WITH STATE STATUTE OR SBOA COMPLIANCE GUIDELINES MANUAL

SINGLE AUDIT DETERMINATION

THE THRESHOLD FOR DETERMINING IF A SINGLE AUDIT IS
REQUIRED IS \$750,000 OF FEDERAL EXPENDITURES

CALCULATED BY ADDING ALL FEDERAL GRANT REIMBURSEMENTS RECEIVED DURING THE
AUDIT PERIOD

REPORTED ON THE GATEWAY ANNUAL FINANCIAL REPORT

ENTRANCE CONFERENCE

WHO IS INVITED

THOSE CHARGED WITH GOVERNANCE – NORMALLY SCHOOL BOARD PRESIDENT

MANAGEMENT – NORMALLY THE FISCAL OFFICER (TREASURER) AND THE SUPERINTENDENT

WHAT IS DISCUSSED

INTRODUCTION TO THE FIELD EXAMINERS THAT WILL BE WORKING ON THE AUDIT

GENERAL OVERVIEW OF: AUDIT OBJECTIVES; MANAGEMENT RESPONSIBILITIES; AUDIT PROCEDURES (GENERAL, INTERNAL CONTROL, COMPLIANCE); INFORMING MANAGEMENT OF GENERAL RECORDS THAT WILL BE REQUESTED; WHEN AUDIT WILL BEGIN AND THE EXPECTED ISSUANCE DATE

CONTINUING EXPECTATIONS

PROVIDE AND INFORM ATTENDEES WITH A METHOD TO ALLOW FOR CONTINUED COMMUNICATION THROUGHOUT THE AUDIT PROCESS

UNDERSTANDING THE UNIT

WHO IS ON FIRST

FES WILL INQUIRE OR INVESTIGATE THE KEY EMPLOYEES IN CONDUCTING THE SCHOOL FINANCIAL FUNCTIONS

WHAT IS ON SECOND

FES WILL DETERMINE THE GENERAL ENVIRONMENT THE SCHOOL IS EXISTING IN AND WHAT PROCEDURES AND PROCESSES ARE IN PLACE THAT ALLOW THE SCHOOL TO OPERATE

I DON'T KNOW IS ON THIRD

IDENTIFY RISKS

RISKS ASSOCIATED WITH SIGNIFICANT AUDIT AREAS

FES WILL ASSESS KEY AREAS TO DETERMINE IF THERE ARE RISKS THAT FINANCIAL STATEMENT INFORMATION IS MISSTATED

HOW UNIT HAS ADDRESSED RISKS

FES WILL IDENTIFY WHAT INTERNAL CONTROLS OR MITIGATING CONTROLS THAT THE SCHOOL HAS PUT IN PLACE TO ENSURE THE FINANCIAL STATEMENT INFORMATION IS MATERIALLY CORRECT

HOW IT WILL EFFECT AUDIT PROCEDURES PERFORMED

FES WILL DETERMINE WHAT AREAS THAT THEY CAN RELY ON IN THE SCHOOL'S INTERNAL CONTROL SYSTEM AND WHAT AREAS WILL NEED TO BE REVIEWED IN FURTHER DETAIL

TESTING

INTERNAL CONTROLS

POLICIES AND PROCEDURES THAT HAVE BEEN INSTITUTED WILL BE TESTED TO ENSURE THAT THEY ARE SUFFICIENT AND ARE WORKING

SUBSTANTIVE

FES WILL PERFORM AUDIT STEPS TO DETERMINE IF FINANCIAL STATEMENT INFORMATION IS MATERIALLY CORRECT

SINGLE AUDIT OF FEDERAL PROGRAMS

SCHEDULE OF FEDERAL EXPENDITURES

INFORMATION INPUT INTO GATEWAY ANNUAL FINANCIAL REPORT

SELECTION OF MAJOR PROGRAMS

BASED ON DOLLAR AMOUNT THRESHOLD AND RISK BASED ASSESSMENT

AUDIT OF MAJOR PROGRAMS

AUDIT PROCEDURES PERFORMED TO DETERMINE COMPLIANCE WITH FEDERAL GRANT REQUIREMENTS

IDENTIFY SUBSEQUENT EVENTS

WHAT HAS HAPPENED AFTER THE AUDIT PERIOD?

DEBT ISSUANCE

SIGNIFICANT CHANGE IN FINANCIAL SITUATION

CONSOLIDATION

CONCLUDING FIELDWORK

DETERMINE OPINIONS

COMPILE FINDINGS AND AUDIT RESULTS AND COMMENTS

COMPILE MANAGEMENT LETTER COMMENTS

FIRST FIELD REVIEW

PERFORMED BY AUDIT MANAGER

EACH AUDIT IS ASSIGNED A MANAGER THAT OVERSEES THE FIELD WORK AND THE DRAFT REPORT

THEY PERFORM AN INITIAL REVIEW TO DETERMINE IF THE REPORT MEETS STANDARDS AND SBOA FORMAT.

EXIT CONFERENCE

WHO IS INVITED

AUDITED OFFICIAL (FISCAL OFFICER), THOSE CHARGED WITH GOVERNANCE (SCHOOL BOARD MEMBERS), MANAGEMENT (SUPERINTENDENT), ANY OTHER EMPLOYEE OR AGENT THAT THE SCHOOL FEELS IS NECESSARY

WHAT IS DISCUSSED

THE CONTENT OF THE FINANCIAL STATEMENT AND SINGLE AUDIT REPORT, THE CONTENT OF THE SUPPLEMENTAL COMPLIANCE REPORT, AND THE CONTENT OF THE MANAGEMENT LETTER

OPTIONS TO RESPOND

SCHOOL IS REQUIRED TO PROVIDE A CORRECTIVE ACTION PLAN TO FEDERAL FINDINGS

SCHOOL HAS THE OPTION OF PROVIDING A WRITTEN RESPONSE TO THE EXCEPTIONS NOTED IN THE SUPPLEMENTAL COMPLIANCE REPORT

SECOND FIELD REVIEW

PERFORMED BY AUDIT COORDINATOR

EACH AUDIT IS ASSIGNED A COORDINATOR THAT OVERSEES AND ASSISTS THE MANAGERS

THEY REVIEW ANY CHANGES MADE TO THE REPORT AS A RESULT OF INFORMATION OBTAINED AFTER FIELD WORK IS COMPLETED OR AT THE EXIT CONFERENCE

OFFICE REVIEW

FINANCIAL STATEMENT AND SINGLE AUDIT REPORT

PERFORMED BY RISK MANAGEMENT

SUPPLEMENTAL COMPLIANCE REPORT

PERFORMED BY OFFICE DIRECTOR

REPORT ISSUED

WHO GETS A COPY?

OFFICIALS EXAMINED

PRESIDENT OF THE SCHOOL BOARD

OTHER REQUESTED SCHOOL OFFICIALS

COPY LISTED ON THE SBOA WEBSITE

[HTTPS://SECURE.IN.GOV/APPS/SBOA/AUDIT-REPORTS/#/](https://secure.in.gov/apps/sboa/audit-reports/#/)

INDIANA CODE 5-11-1-27(G)

AFTER JUNE 30, 2016

SCHOOL BOARD MUST HAVE ADOPTED MINIMUM STANDARDS OF
INTERNAL CONTROL

SCHOOL BOARD MUST ENSURE THAT PERSONNEL HAVE RECEIVED TRAINING
OVER THE MINIMUM STANDARDS

HOUSE ENROLLED ACT 1031

ADDED IC 5-11-5-1.5

REQUIRES CORRECTIVE ACTION FOR NONCOMPLIANCE NOTED IN A REPORT

REQUIRES A WRITTEN CORRECTIVE ACTION PLAN FOR THE SAME OR SIMILAR FINDINGS IN MULTIPLE REPORTS

REQUIRES THE SCHOOL TO NOTIFY THE SBOA WHEN THE CORRECTIVE ACTION PLAN HAS BEEN CARRIED OUT

REQUIRES SBOA TO SUBMIT TO THE LEGISLATIVE AUDIT COMMITTEE A MEMO DETAILING THE SCHOOL DID NOT COMPLETE THE CORRECTIVE ACTION PLAN

SPECIFIES ACTIONS OF THE LEGISLATIVE COMMITTEE WHEN AN ENTITY FAILS TO COMPLETE CORRECTIVE ACTIONS

EXTRA-CURRICULAR ACCOUNTS

- SBOA PRELIMINARY PLAN
 - ECA WITH RECEIPTS GREATER THAN \$1,000,000 WILL BE EXAMINED DURING THE SCHOOL CORPORATION AUDIT BY THE ASSIGNED FIELD EXAMINERS
 - FOR 2016 REPORT 76 ECAs
 - ECA WITH RECEIPTS BETWEEN \$1,000,000 - \$100,000 WILL BE EXAMINED BY A CENTRALIZED COMPLIANCE PROCESS
 - FOR 2016 REPORT 682 ECAs
 - WILL BE DONE ON A 4 YEAR ROTATION COINCIDING WITH THE SCHOOL CORPORATION AUDIT
 - ECA WITH RECEIPTS LESS THAN \$100,000 AND NOT HAVING A SPECIFIC RISK IDENTIFIED WILL HAVE CENTRALIZED REVIEW PROCESS
 - APPROXIMATELY 10% OF TOTAL STATEWIDE ECA ACTIVITY

CONTACT INFORMATION

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