

Audit Review Update

Daniel Davis, USBE Financial Operations

May 15, 2019

Statutory Requirements

Utah Code Annotated §53E-3-603

- The State Board of Education is responsible for verifying audits of financial and student accounting records of school districts for purposes of determining the allocation of Uniform School Fund money.

Utah Code Annotated §53E-3-501

- (2) The State Board of Education shall determine if: (a) the minimum standards have been met; and (b) required reports are properly submitted.

2 CFR Part 200.521

- (c)...the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.

Review Process-LEA Responsibilities

Independent Auditor completes field work and verifies necessary audit adjustments

- Before October 1

Annual Financial Reports (AFR)/Annual Program Reports (APR)

- Submitted by October 1

Audited Financial Statements and all required reports including Independent Auditor's:

- Report on the Financial Statements
- Report on Internal Controls over Financial Reporting
- Report on Internal Controls over Compliance
- Report on Compliance for Each Major Federal Program (single audit) (applicable when Federal Awards are at least \$750,000 in a year)
- Submitted to USBE by November 30

Code References: 53G-4-404 and 53G-5-404

Review Process-USBE Responsibilities

USBE compares financial statements to AFR/APR

- Review program balances, fund balances, reconciliation between financial statements and AFR/APR
- December 15

USBE creates superintendent/summary reports

- January 15

USBE reviews independent auditor reports

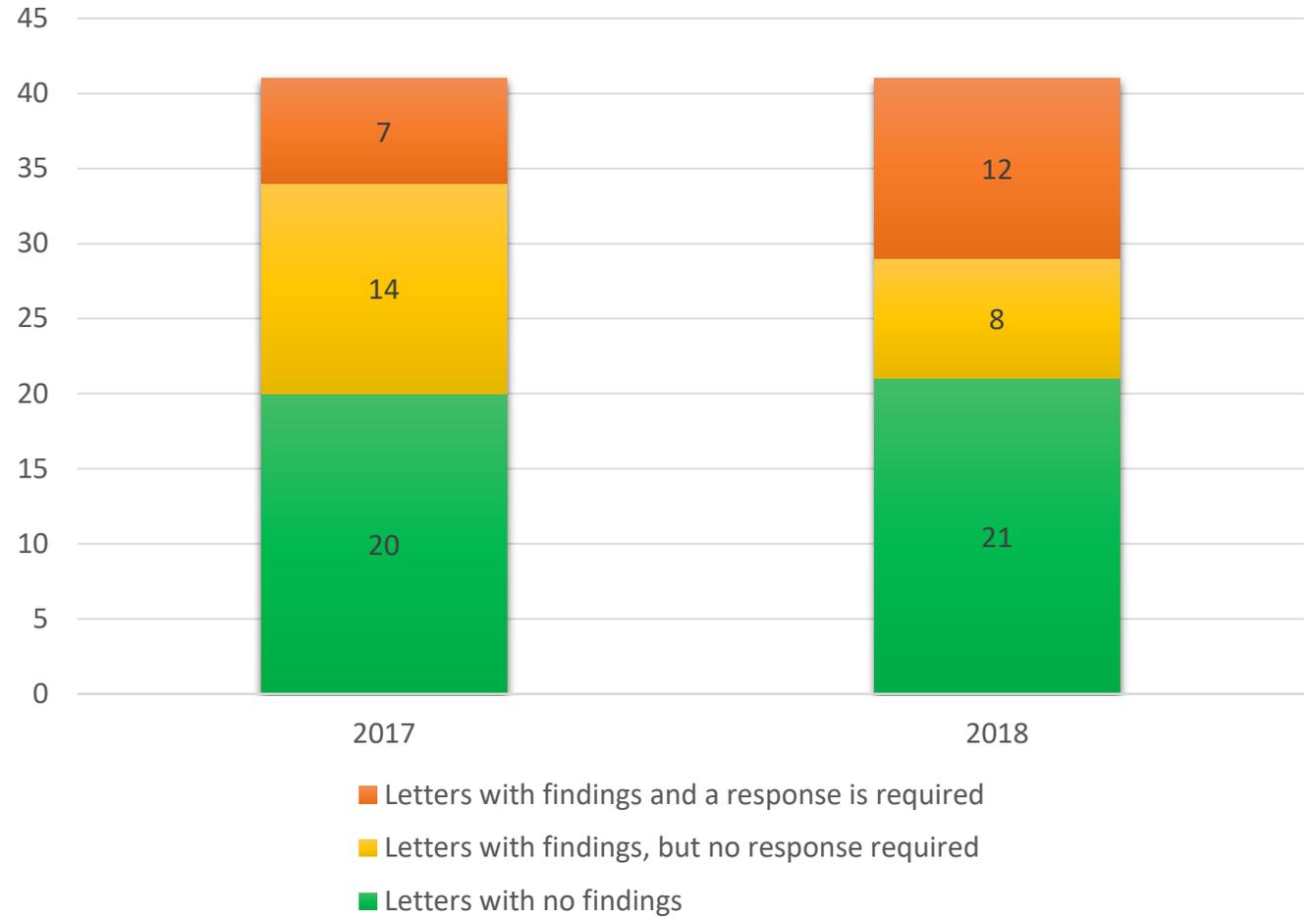
- March 1

USBE sends financial statement audit review letters

- March 31

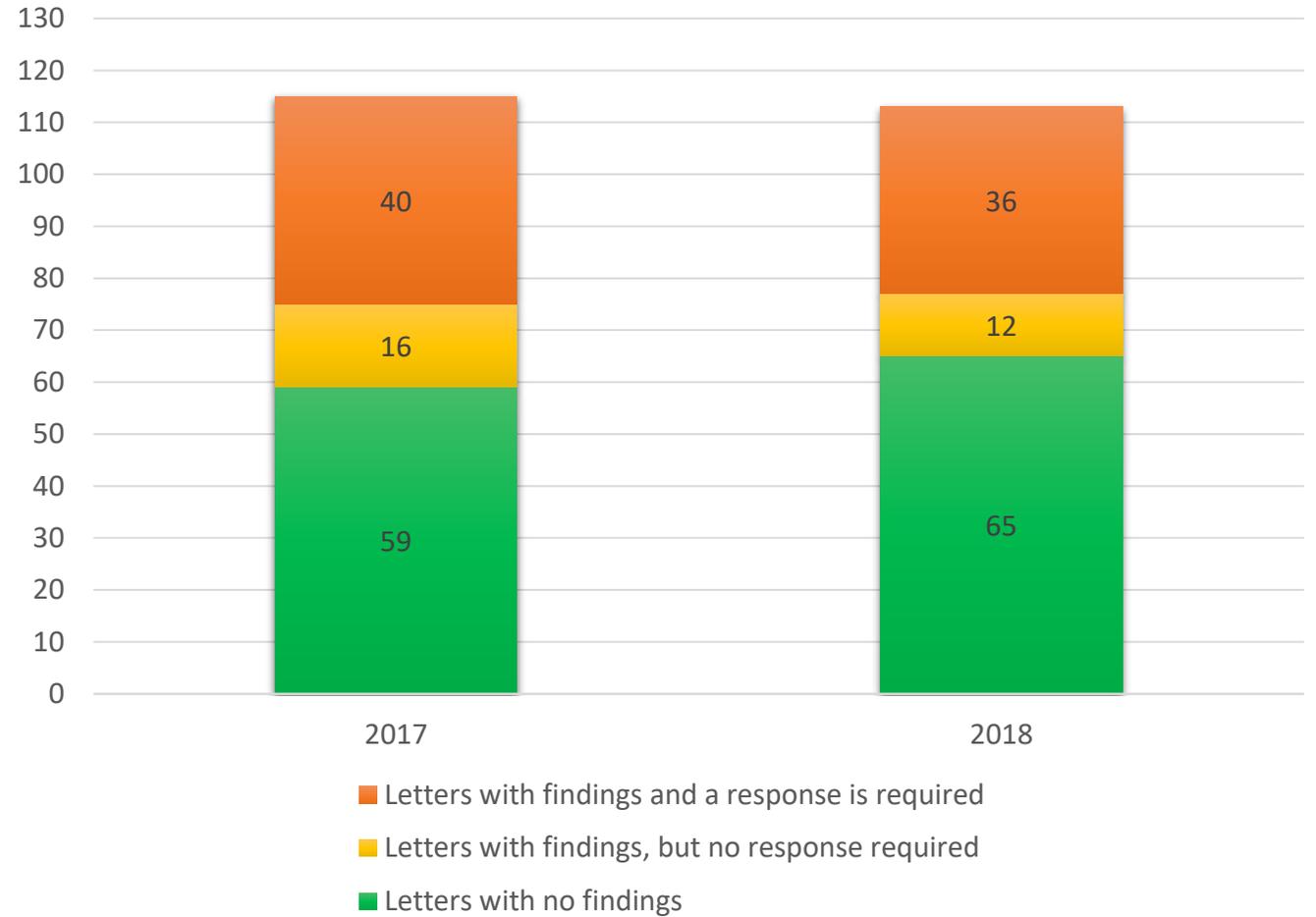
Financial Statement Review Letters

School Districts



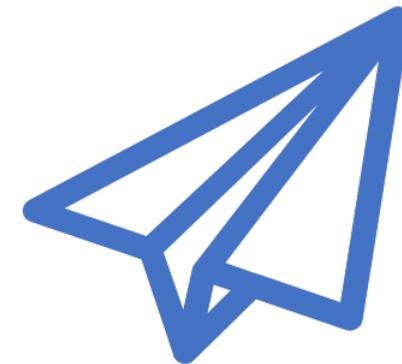
Financial Statement Review Letters

Charter Schools



When and Where to Send Responses

- Charter Schools
 - Send responses by May 24, 2019
 - Send responses to daniel.davis@schools.utah.gov or schoolfinance@schools.utah.gov
- School Districts
 - Send responses by June 10, 2019
 - Send responses to schoolfinance@schools.utah.gov



Types of Findings

Material Weakness

- A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement or material noncompliance of the entity's financial statements or type of compliance requirement will not be prevented, or detected and corrected on a timely basis.

Significant Deficiency

- A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Non-Compliance Finding

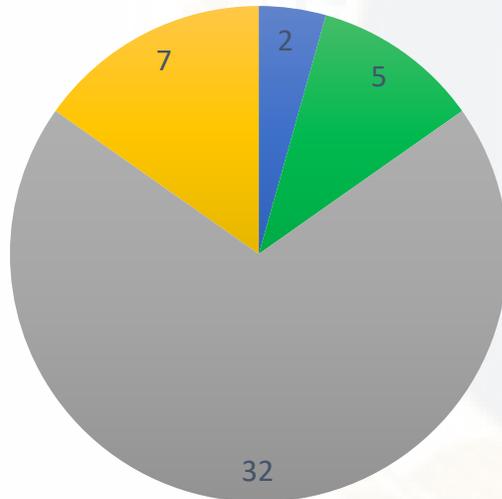
- A deficiency in internal control when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements or noncompliance with a compliance requirement on a timely basis.

Other Matters

- Management Letter findings noted by the external auditor or any other findings noted by the USBE

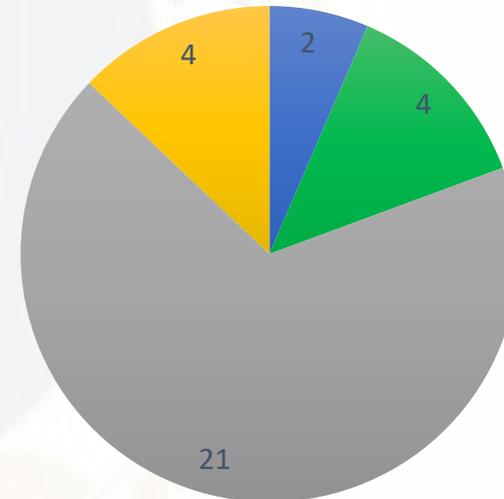
School District Findings

2017
46 Total Findings



■ Material Weakness ■ Significant Deficiencies
■ Non-Compliance ■ Other Matters

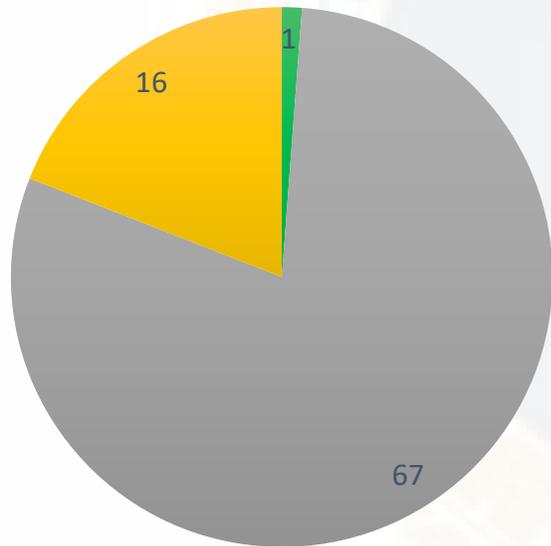
2018
31 Total Findings



■ Material Weakness ■ Significant Deficiencies
■ Non-Compliance ■ Other Matters

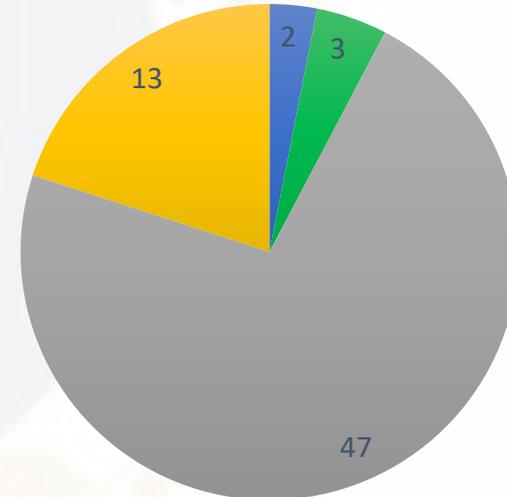
Charter School Finding

2017
84 Total Findings



■ Significant Deficiencies ■ Non-Compliance ■ Other Matters

2018
65 Total Findings



■ Material Weakness ■ Significant Deficiencies
■ Non-Compliance ■ Other Matters

Most Common Findings

- Non-Compliance Finding:
 - Appropriation in excess of expendable revenue, or
 - Warrants drawn in excess of expendable revenue
- Utah Code Annotated 53G-7-305(2)
 - A governing board may not make an appropriation in excess of its estimated expendable revenue, including undistributed reserves, for the following fiscal year.
- Utah Code Annotated 53G-7-307(2)
 - The budget officer of a governing board may not draw warrants on school district or charter school funds except in accordance with and within the limits of the budget passed by the LEA governing board.

Most Common Finds Continued

- How to avoid this finding in the future
 - Adopt an amended budget by the end of the current fiscal year to account for items not considered in the original budget of the current year such as:
 - Capital expenditures
 - New grants received during the year
 - Changes in staff salaries
 - Account for accrued expenses to be paid after year end. For example, wages
 - Other items not anticipated during the original budget

Most Common Findings Continued

- Net Negative Assets with Operating Losses
 - This may mean that continuing operations may not be sufficient to cover future obligations.
- How to avoid this finding in the future
 - Focus on enrollment
 - Apply for applicable grants
 - Ensure you have a multiple year budget forecast
 - Monitor spending and look for cost-effective options



Questions, Comments, Concerns?

Daniel Davis

Utah State Board of Education

Financial Operations

daniel.davis@schools.utah.gov

(801) 538-7953

School Finance Team

schoolfinance@schools.Utah.gov