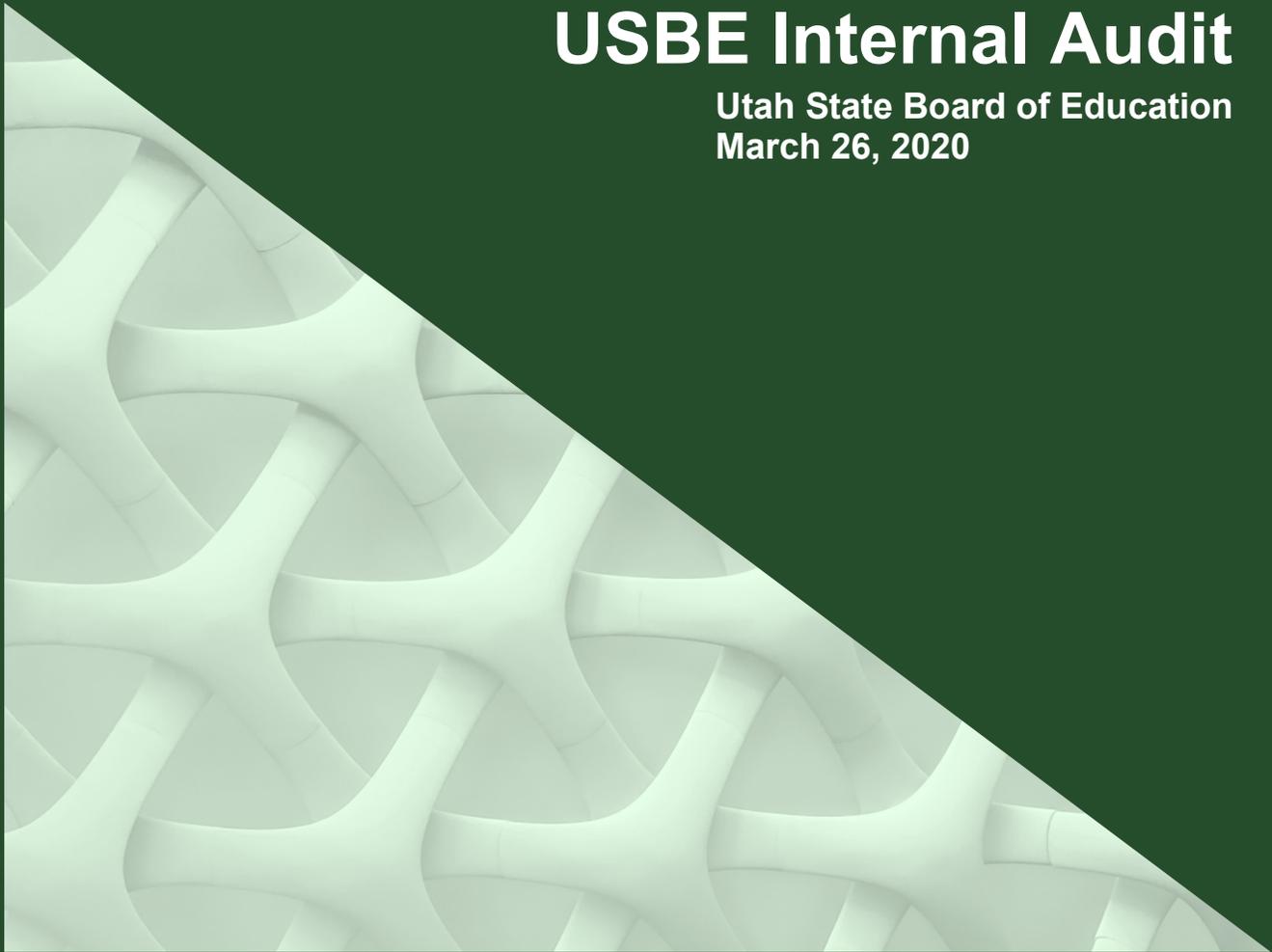


USBE Internal Audit

Utah State Board of Education
March 26, 2020



Annual Reporting and Audit Requirements

INFO DOC

ADA Compliant 5/7/2020





Annual Requirements

On an annual basis, the State of Utah and local education agencies (LEAs) are required to prepare and/or have audited, on an annual basis, the following items:

1. Financial Statements (Utah Code 51-2a-201 & 202, 53G-4-404, 53G-5-404, 2 CFR 200.510)
2. Single Audit (2 CFR 200.501)

LEAs are also required to prepare and/or have audited the following additional items:

3. State Compliance Audit (51-2a-301, State Compliance Audit Guide)
4. Annual Financial Report (AFR) / Annual Program Report (APR) (53E-3-301(d) & (e), R277-484)
5. Agreed-Upon Procedures Report (51-2a-301, Agreed Upon Procedures Guide – LEAs and CBOs)

This info doc will clarify:

- Who prepares each of these reports,
- Who audits these reports (if applicable),
- What these reports include,
- Who might use these reports, and
- How and to whom the reports must be submitted.



Financial Statements/Comprehensive Annual Financial Report (CAFR)

Who Prepares?

Management of an entity prepares the financial statements/CAFR in accordance with applicable GAAP for the financial reporting entity.

GAAP (generally accepted accounting principles) – a common framework of accounting rules and standards promulgated by either FASB or GASB, as applicable to the reporting entity.

Reporting Entity – includes the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements (F/S) to be misleading. For example, the State of Utah F/S include all public colleges and universities, the Utah Schools for the Deaf and Blind; the State of Utah F/S do not include school districts and charter schools. There is a decision tree that helps you figure out which entities should be included.

State of Utah Management: State Finance, with input from other departments as needed. The State of Utah reports in accordance with GASB (governmental accounting standards board) GAAP.

LEAs Management: Business Office, with input from others as needed. School districts and some charter schools report in accordance with GASB GAAP; however, currently, most nonprofit charter schools report in accordance with FASB (financial accounting standards board) GAAP. With the passage of HB242 from the 2020 Legislative Session all charter schools will have to transition to GASB GAAP.

Who Audits?

An CPA or CPA firm is the independent auditor

The independent auditor audits the financial statements and provides their opinion to management for inclusion in the financial statements. Audits are done in accordance with GAAS (generally accepted auditing standards) and GAGAS (generally accepted government auditing standards or Yellowbook).

State of Utah Auditor: Office of the State Auditor; employs CPAs

LEA Auditors: Independent CPA/CPA firm



What's Included?

GASB Financial statements generally include the following:

- Introductory Information
 - Certificate(s) of Achievement for Excellence in Financial Reporting*
- Auditor's Opinion on Financial Statements
- Management's Discussion and Analysis
- Basic Financial Statements (includes Notes)
- Required Supplementary Information
- Combining Statements and Schedules
- Statistical Section
- Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

State of Utah: See <https://finance.utah.gov/reports/financial/> - scroll down and select CAFR on right, then select Access CAFR Reports. The CAFR is a stand-alone report.

LEAs: See <https://reporting.auditor.utah.gov/searchreport>, select School District or Charter School, LEA and year, Type = Financial Report. The Financial Statements are usually the first item in the Financial Report.

FASB Financial statements generally include the following:

- Auditor's Opinion on Financial Statements
- Basic Financial Statements (includes Notes)
- Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

* Certificates of Achievement for Excellence in Financial Reporting may be given by the Government Finance Officers Association (GFOA) or the Association of School Business Officials International (ASBO). Per the GFOA, the certificate is "to encourage and assist state and local governments to go beyond the minimum requirements of [GAAP] to prepare [CAFRs] that evidence the spirit of transparency and full disclosure... The goal of the program is **not to assess the financial health of participating governments**, but rather to ensure that users...have the information they need to do so themselves."

For both entities, there is a checklist of items a reviewer considers before determining if the standard of excellence is met, the checklist includes things such as formatting, dates, titles, inclusion of certain information, etc.

GFOA Checklist: <https://www.gfoa.org/sites/default/files/GFOASchoolDistrictChecklist.pdf>

ASBO Checklist: <https://asbointl.org/asbo/media/documents/learning/Awards/COE/COE-Checklist.pdf>



Who Uses?

Bondholders, investors, banks, grantors, federal and state policy-makers and regulators, the public, etc.

Single (Federal Compliance) Audit

Who Prepares?

Management of an entity prepares the SEFA and information for required note disclosures. The Auditor uses that information to prepare and issue the Single Audit Report

State of Utah Management: State Finance, with input from other departments as needed.

LEAs Management: Business Office, with input from others as needed.

Who Audits?

A CPA or CPA firm is the independent auditor

The independent auditor audits the SEFA and note disclosures and prepares the Single Audit report, including information from Management as required. Audits are done in accordance with GAAS and GAGAS.

State of Utah Auditor: Office of the State Auditor; employs CPAs

LEA Auditors: Independent CPA/CPA firm

What's Included?

- Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards in accordance with the Uniform Guidance
- Schedule of Expenditures of Federal Awards (SEFA) and accompanying Notes
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings



State of Utah: See <https://finance.utah.gov/reports/financial/> - scroll down and select Federal Single Audit Report on right, then select Access Federal Single Audit Reports. The Single Audit is a stand-alone report.

LEAs: See <https://reporting.auditor.utah.gov/searchreport>, select LEA and year, then download the Financial Report. Single Audit information is included after the Financial Statements in the Financial Report.

Who Uses?

Federal and state policy-makers and regulators, the public, other interested parties, etc.

State Compliance Audit

Who Prepares?

There is no specific document that management prepares for this audit; rather, the audit reviews transaction-level documentation, policies and procedures, etc.

State of Utah: Not Applicable

LEAs Management: Business Office, with input from others as needed.

Who Audits?

A CPA or CPA firm is the independent auditor

The audit is done according to the guidelines in the State Compliance Audit Guide published by the OSA. See: <https://resources.auditor.utah.gov/s/article/Forms-Manuals-Guides>

This Guide includes a section specific to programs of the USBE; the USBE provides the guidelines to the OSA for inclusion in the Guide.

LEA Auditors: Independent CPA/CPA firm



What's Included?

- Auditor's Report on Compliance and Report on Internal Control Over Compliance Required by the State Compliance Audit Guide.
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This report is generally included behind the Financial Statements and Single Audit report in the Financial Report.

Who Uses?

The OSA, the USBE, state policy-makers and regulators, the public, other interested parties.

Agreed-Upon Procedures Agreement

Who Prepares?

There is no specific document that management prepares for this audit; however, they do provide information to the auditor for inclusion in the audit report.

State of Utah: Not Applicable

LEAs Management: Business Office, with input from others as needed.

Who Audits?

A CPA or CPA firm is the independent auditor; however, this is not considered an audit – it's an agreed-upon procedure, which has a different scope and a different level of assurance provided (i.e., no opinion is given).

The engagement is done according to the guidelines in the Agreed-Upon Procedures (Guide) – LEAs and CBOs, published by the OSA. See <https://resources.auditor.utah.gov/s/article/Forms-Manuals-Guides>

This Guide is specific to student membership; the USBE provides guidelines to the OSA for inclusion in the Guide.



LEA Auditors: Independent CPA/CPA firms

What's Included?

- Independent Auditor's Report on Applying Agreed-Upon Procedures Regarding Compliance with Pupil Accounting Rules for Aggregate Student Membership
 - Aggregate Membership Schedule
 - Fall Enrollment Count Schedule
 - Transfer Student Documentation Schedule
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LEAs: These are separate reports submitted directly to USBE Financial Operations.

Who Uses?

The results of this engagement are used by the USBE.

Annual Financial/Program Reports (APR/AFR)

Who Prepares?

LEA management prepares these reports.

State of Utah: Not Applicable

LEAs Management: Business Office, with input from others as needed.

Who Audits?

CPA or CPA firm is the independent auditor; however, in general, these reports are not audited **except for:**

As part of the State Compliance Audit, the independent auditor is required to verify that the AFR and APR fund and program balances agree with prior year and current year ending balances.

LEA Auditors: CPAs/CPA firms



What's Included?

- AFR and APR
 - The independent auditor does not provide a separate report or opinion related to the AFR/APR. However, as noted in the Who Audits? Section above, elements of the AFR/APR are subject to the State Compliance Audit.
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LEAs: These are separate reports submitted directly to USBE Financial Operations.

Who Uses?

The results of this engagement are used by the USBE.

AFR's and APR's are available at:

<https://schools.utah.gov/financialoperations/reporting?mid=2159&tid=1>

Submission Requirements

The Office of the State Auditor requires LEAs to submit the Financial Audit Reporting Package (Package) annually. The Package includes:

<h3>Financial Audit Reporting Package</h3> <ol style="list-style-type: none">1. Financial Statement Report<ul style="list-style-type: none">• Independent Auditor's Report• Independent Auditor's Report on I/C & Compliance in Accordance with Government Auditing Standards (Yellow Book Report)2. State Compliance Audit Report<ul style="list-style-type: none">• Independent Auditor's Report in Accordance with State Compliance Audit Guide	<ol style="list-style-type: none">3. Single Audit Report (if more than \$750,000 of federal awards were received or expended)<ul style="list-style-type: none">• Independent Auditor's Report on Compliance for Each Major Program and on I/C over Compliance required by Uniform Guidance4. Report on Findings & Recommendations<ul style="list-style-type: none">• Written findings & recommendations related to all performed audits• Management's Response	<h3>Financial Certification</h3> <p>Certifies that the financial reporting package is accurate.</p> <p>It is signed by the entity's chief administrative officer (CAO) and chief financial officer (CFO).</p>
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Source: https://auditor.utah.gov/wp-content/uploads/sites/6/2020/03/Office-of-the-State-Auditor-Local-Government-Division_2019-Reporting-Requirements-Manual_Revised-March-2020.pdf



Submission dates are as follows:

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- **Financial Statements:** Submitted to the USBE by November 30 (R277-484-3) and submitted to the OSA as part of the Financial Audit Reporting Package by December 31 (i.e., 180 days after fiscal year end per the OSA Reporting Requirements Manual).
 - **Single Audit:** Submitted to the Federal Data Clearinghouse (see: <https://harvester.census.gov/facweb/>) within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. (2 CFR 200.512). Also submitted to the OSA as part of the Financial Audit Reporting Package by December 31 (i.e., 180 days after fiscal year end per the OSA Reporting Requirements Manual).
 - **State Compliance Audit:** Submitted to the OSA as part of the Financial Audit Reporting Package (see below), due on December 31 (i.e., 180 days after fiscal year end per the OSA Reporting Requirements Manual).
 - **Agreed-Upon Procedures:** Aggregate Membership Agreed-Upon Procedures Report and Schedule must be submitted to USBE Financial Operations by November 1 at 5:00pm; Fall Enrollment and Transfer Student Schedules must be submitted to USBE Financial Operations by September 15. (R277-484-3).
 - **AFR and APR:** Due to the USBE by October 1 (R277-484-3)
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Once the Financial Audit Reporting Package is uploaded to the OSA website and certified by Management, the reports/audits are available at: <https://reporting.auditor.utah.gov/searchreport> (select School District or Charter School, LEA, Year, and Document Type: Financial Report)

Point of clarification: The Financial Audit Reporting Package referenced above is uploaded to the OSA website as one document; however, as detailed in the specific sections above, these reports and audits are actually separate requirements. Depending on the LEA, the Package may be reflected as one comprehensive document OR the package may not be reflected as one comprehensive document (i.e., the Table of Contents for the financial statements/CAFR may not include the reports related to the Single Audit and State Compliance Guide Audit even though they are included at the end of the merged document).