



2023-2024 Audits of Local Schools

Memorandum to Auditors of Idaho's Public School Districts and Charter Schools

This memo outlines changes from prior years as well as providing guidance and reminders on a few of the major areas that each auditor should be reviewing and testing during audits of Idaho's public schools.

Auditor's Letter of Assurance

All auditors of Idaho public schools are requested to review and sign the accompanying Letter of Assurance for audits conducted on FY 2024 data. This letter acknowledges and assures that select topics contained in this memo are being reviewed during the FY 2024 review cycle. A copy can be requested by contacting Andrew Konopacky (School Finance) at (208) 332-6846 or akonopacky@sde.idaho.gov.

State Review of Audit Work Papers

This summer department staff will sample Local Education Agency's (LEA) audits for a more in-depth review of the audit tests and processes that were used to develop the audit report. This review will focus on the topics emphasized in this memo and that are being assured through the Letter of Assurance. This review will give us the opportunity to review testing procedures and generate better guidance and feedback for auditors going forward.

STATE PROGRAMS

State Foundation Program

Public schools receive the majority of their General M&O revenues through the State Foundation Program. The amount received is based on attendance and staffing information supplied by the public schools through Idaho System for Educational Excellence (ISEE) reporting during the year. This information, used to distribute over \$2 billion dollars to schools, is available on a secure School Finance website. Please see the school Superintendent or Charter School Administrator for the site and access information. *We are requesting that auditors verify the accuracy of attendance and staffing data submitted via ISEE.*

Attendance

The department requests that auditors review how public schools submit attendance data. This review should include testing of the submitted attendance data and confirmation that schools are reporting in compliance with department guidelines and State Board Rules and Regulations. Attendance reports will be posted to the School Finance secure website on July 15. Please work with the LEA's Superintendent or Administrator to access these reports.

Medicaid and Maintenance of Effort Special Education

Medicaid School-Based Services (SBS) are health-related and rehabilitative services provided to children with disabilities who receive services under the Individuals with Disabilities Education Act (IDEA). These services are provided by school districts and charter schools and are considered medically necessary for children to participate in their educational program. Medicaid SBS are determined by the student's IEP Team and must have a recommendation/order by a physician or other licensed practitioner of the healing arts, assuring that the services are medically necessary for Medicaid reimbursement. Medicaid SBS billable services include medical or remedial services provided by LEAs or other cooperative service agencies, as defined in Idaho Code Section 33-317 and IDAPA 16.03.09. Eligible services and claims are reimbursed on a set fee schedule.

While schools are legally liable to provide IDEA special education and related services at no cost to eligible students, Medicaid reimbursement is available allowable health-related services because section 1903(c) of the Act requires Medicaid to be primary to the U.S. Department of Education for payment of the health-related services provided under IDEA. The Office of Special Education Programs (OSEP) issued Memo 15-10: Issuance of Guidance on the Final Local Educational Agency (LEA) Maintenance of Effort (MOE) Regulations under Part B of the Individuals with Disabilities Education Act (IDEA) to provide regulation guidance regarding Medicaid State/local match and MOE. Per OSEP Memo 15-10, LEAs must include the amount of local only or State/local funds spent for the education of students with disabilities when calculating the level of effort required to meet the eligibility and compliance standards, even if those local only or State/local funds are also used to meet a matching requirement in another Federal program.

There are frequent occurrences of Medicaid reimbursable expenditures and revenues not being correctly accounted for as they relate to LEA Maintenance of Effort under IDEA. Each Medicaid claim processed requires matching funds be paid from a non-federal source.

34 CFR §300.203 states "The amount of local, or state and Local funds expended for the education of children with disabilities, is the amount of funds that establishes the level of expenditures to be maintained from year-to-year and establishes the MOE level."

The department requires that the exact matching funds used to process reimbursement claims be accounted for in the IDEA Part B Application in Section II of Maintenance of Effort. Medicaid Match is an expenditure, is included in your calculation of Maintenance of Effort, and should be budgeted for in the IDEA Part B application, and in your General Ledger (GL).

2 CFR 200.306 (b). "[A]ny shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-federal entity's cost sharing or matching."

If schools prepay match and maintain a trust account balance with the Department of Health

and Welfare, it is recommended they record any balances as a prepaid asset on your GL. They should reconcile their prepaid asset account with their Health and Welfare statements, for any interest earned, less any match used for reimbursements. This will also allow for LEAs to clearly identify match used. Only match used for processing claims is reported as an expenditure line item in the IDEA Part B application towards MOE.

Since Idaho's State Medicaid Plan considers Medicaid a cost reimbursement program, costs associated with the claiming of Medicaid funds including third-party administrator billing such as Medicaid Admin Fees, are NOT chargeable to MOE and should be accounted for somewhere other than fund 260 or function code 521, 522, or 616. Treat it like a fee; example 100-651315 or 100-651310. Billing for Medicaid reimbursements is not considered a direct required cost under IDEA and is not therefore an allowable cost under IDEA programs.

The School-Based Medicaid fund code 260 should be used to ensure that Medicaid reimbursable expenditures are not commingled with general funds. Use Revenue code 445900, and record the entire reimbursement claim against the federal revenue code.

The Medicaid fund 260 should have an ending fund balance of net zero. This information and the net zero amount should be accurately reflected on the Combining Statement of Revenue and Expenditure and the program should not carry a beginning balance into the next fiscal year. If Medicaid fund 260 expenditures exceed revenue, expenditures should be moved to Maintenance of Effort accounts, unless MOE has been met, and federal funds are still available in IDEA Part B.

Pay close attention to how these types of expenditures are being accounted for and ensure that only the net amount of the expenditures, less any Medicaid reimbursement, are being included in the function/program codes that are examined for MOE purposes.

If you have any questions, please contact Lisa Pofelski-Rosa (Special Education) at (208) 332-6916 or lpofelskirosa@sde.idaho.gov.

Time and Effort Reporting

2 CFR § 200.430 - Compensation—personal services. All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spent on grant activities. Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed to support the distribution of the employee's salary or wages among specific activities or costs objectives. This is a requirement under the Education Department's (ED's) Cost Allocation Guide (see section VI: Time Reporting Requirements).

One of the most common questioned costs in audits of federal programs is the absence of effective policies and procedures to ensure that personnel costs are charged to federal grants and programs in compliance with the time and effort reporting requirements of OMB's Uniform

Administrative Requirements and ED's Costs Allocation Guide. Schools and their auditors should be aware of those requirements and should take the necessary steps to ensure that their time distribution systems are in compliance with those requirements.

It is critical for payroll charges to match the actual distribution of time recorded. If using budget estimates, the LEA must periodically, at least quarterly, reconcile payroll charges to the actual time and effort reflected in the employees' time-and-effort records. Failures to propose, manage, and certify effort correctly could jeopardize the district's federal funding and lead to penalties/reversal of funding for the district (repayment of the unallowable costs).

Recommendation: If the difference between the actual and budgeted amounts is 10% or greater, the LEA should adjust its accounting records at least quarterly. If the reconciled difference is less than 10%, the LEA should adjust the accounting records at least annually. But in both cases, the accounting records must be adjusted to reflect actual time-and-effort records.

Policies and procedures that do not meet those requirements should be reported as an audit finding. The state has provided guidance on this issue that can be found at <http://www.sde.idaho.gov/federal-programs/funding/index.html> (Fiscal Compliance Tab)

If you have any questions relating to Time and Effort Reporting, please contact Stacie Rekow (Title I Coordinator) at (208) 332-6891 or Kateryna Dyer (Federal Programs) at (208) 332-6900 or Lisa Pofelski-Rosa (Special Education) at (208) 332-6916 or lpofelskirosa@sde.idaho.gov.

GENERAL INFORMATION

Budgeting

Budget forms and schedules can be viewed on the department's website in the Budget Forms and Information section at <http://www.sde.idaho.gov/finance/>. Schools must also follow State Board Rules and Regulations as well as reporting guidelines established by the department.

If you have any questions about the budgeting process, please contact Carol Piranfar (School Finance) at (208) 332-6844 or clpiranfar@sde.idaho.gov.

School Level Expenditure Reporting

The Every Student Succeeds Act (ESSA) was signed into law in 2015. Part of this act is a requirement for all states to report per-pupil expenditures at the school level. Expenditures must be reported at the school level for all funds. We know that some expenditures are easily identifiable as school level expenditures, such as the salaries and benefits of teachers and other staff assigned to a particular school. Other expenditures are more difficult to allocate, including school administration costs, business program costs, transportation costs and child nutrition costs. We are asking schools to allocate their expenditures to the best of their ability. Costs that aren't allocated directly to a building by the school district or charter school will be

aggregated and allocated by the Idaho Department of Education (the department) to each building using enrollment. This allocation will be done for fiscal report card purposes only.

Special Distributions

Various special distributions were included in the FY 2024 public school appropriation. A PDF document summarizing these distributions can be found with the 2023-2024 budget forms at <http://www.sde.idaho.gov/finance/> (Under *Budgets - Supporting Documents and Forms*)

Single Audit Report

The Division of Financial Management (DFM) has historically facilitated the tracking of total federal dollars paid to sub-recipients by all state agencies and made this information available to the public through the annual STARS Single Audit Report.

Beginning in FY 2024, the State of Idaho adopted a new accounting system (LUMA) and DFM will no longer be generating this report. At the time this memo was written, Single Audit Reports for FY 2023 and earlier can still be generated through the DFM website, <https://dfm.idaho.gov/singleauditv2/>.

We anticipate that a similar style of report will be available for FY 2024 through the State Controller's Office (SCO) on its Transparent Idaho website, <https://transparent.idaho.gov/>. The Single Audit Report has historically been published in late August. Public School Finance will distribute further information as we receive it.

General Fixed Assets

Various payments to the schools are done using computations including fixed asset dollar amounts. The fixed asset information included in the notes to the financial statements should be separated into elementary, secondary, and administrative fixed asset dollars for these computations to be accurate. It would also be helpful to have this information further separated by asset type, including buildings, equipment, transportation, etc.

Coding of Tax Receipts

Please review the coding of tax receipts collected by the school for proper fund and revenue account coding.

Miscellaneous State Grants

Schools receive miscellaneous state grant monies that should be reviewed to ensure the dollars are expended in accordance with the school's approved applications.

Training Opportunities

There are several opportunities during the year to learn more about school finance.

- The Idaho Association of School Business Officials (IASBO), in cooperation with Public School Finance, presents a New School Finance workshop in February or March. This full-day workshop is often referred to as School Finance 101. For further information, please see the IASBO website at <https://www.idahoasbo.org/>.
- Public School Finance holds a monthly webinar on the first Wednesday of each month August through June. For more information, please contact Amber Worthington (School Finance) at (208) 332-6829 or aworthington@sde.idaho.gov.
- IASBO also holds an annual conference in late June. This two-day workshop features concurrent sessions pertaining to issues facing Idaho's public schools. For more information, please see the IASBO website at www.idahoasbo.org.
- The department's website at www.sde.idaho.gov has a wealth of information. Specifically, the School Finance website at <http://www.sde.idaho.gov/finance/> has manuals, forms, and statistical information.

The School Finance staff, as well as all department staff, encourage you to call or email any questions you may have. School Finance can be reached at (208) 332-6840 and the general Idaho Department of Education telephone number is (208) 332-6800.

For Questions Contact

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