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**Accounting & Auditing
Update**
Community School Training
August 6 & 12, 2010

Presented by:
Kim Blake, Asst. Chief Auditor

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Mary Taylor, CPA


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AGENDA

- AUDIT BULLETIN 98-03
- HOW CAN I MAKE MY AUDIT BETTER?
- WHAT ARE SOME COMMON ISSUES?
- WHERE ARE THESE ISSUES REPORTED?



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AUDIT BULLETIN 98-003

- Accounting & Reporting for Community Schools
 - With certain exceptions that are discussed in the bulletin, community schools with an approved contract are to account for and report financial transactions in the same manner as all Ohio School districts.



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AUDIT BULLETIN 98-003

- Community Schools **MUST:**
 - Notify the AOS of their existence at the beginning for the first fiscal year in which they commence operations
 - Obtain an IRN number from ODE
 - Use USAS (uniform School Accounting System) & EMIS (Education Management Information System) to record financial transactions



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AUDIT BULLETIN 98-003

- File GAAP statements within 150 days of year end (single audit within 9 months after year end)
- Have a complete set of distinguishable financial records



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AUDIT BULLETIN 98-003

Records include, but not limited to, **separate**:

- Bank accounts
- Checks and other financial documents
- Separate data processing runs
- Reconciliations and control totals
- General ledger
- Cash receipts & disbursement records
- Fixed asset records
- Other records necessary to enable the school to prepare and report financial information



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AUDIT BULLETIN 98-003

- Each Community School **“should”** have budgets (both revenue and expenditures) that are approved by their governing authority; as well as, financial plans submitted to and approved by the sponsor.



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AUDIT BULLETIN 98-003

- Community Schools **are not** mandated to:
 - **Budget**
 - Appropriate
 - Encumber
 - Utilize Purchase Orders (pos)
 - Certify Expenditures
- **However**, some sponsor contracts require these items



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THAT BEING SAID.....



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HOW DO I MAKE MY AUDIT REPORT BETTER?

- Properly manage resources to achieve goals of school via internal controls
- Maintain Financial Records
- Make responsible financial decisions via budgeting



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BACKGROUND

- Financial statements are written representations (or assertions) regarding the finances of the entity being managed.
- **Management** cannot meaningfully assume responsibility for the financial statements without first having taken **steps** to ensure that the underlying data are complete and reliable.
(those steps in the aggregate are internal controls)



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BACKGROUND



- **What is the Governing Board's responsibility?**
 - To ensure that management fulfills its internal control and financial reporting responsibilities.
 - Example: Management - Pupil
Governing Board - Parent

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BACKGROUND



- When it comes to internal control and financial reporting, there is a natural tendency to believe “**everything must be okay**” until something goes wrong!
- Unless positive action is taken to counteract this tendency, it is unlikely that a governing body will ever focus attention on internal controls and financial reporting.

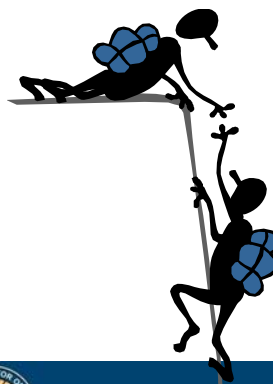
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HOW DO I MAKE MY AUDIT REPORT BETTER?

INTERNAL CONTROLS



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Responsibilities for Controls

- System of Internal Controls should be developed by **“Management”**
- Internal controls assists the school in realizing their mission and objectives.



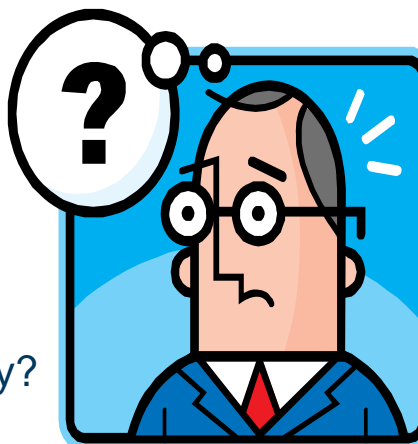
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Who is **Management**?

- Sponsor?
- Board?
- Fiscal Officer?
- Director?
- Superintendent?
- Management Company?
- Audit Committee?



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Who is Management?



- Sponsor
 - Compliance with laws the contract specifies
 - **Monitor and evaluate the academic and fiscal performance and report the results to ODE and to the students' parents.**
 - Provide technical assistance to the school in complying with applicable laws and terms of the contract;
 - Intervene in the school's operation to correct problems in the school's overall performance

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Who is Management?

- Board = **Management....** but management has layers.....



- Board functions as management and have the sole responsibility for setting the “tone at the top on their view of “internal controls”

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Who is **Management**?

- Fiscal Officer – has no authority to adopt policies or institute controls; however, has the responsibility for financial statements and records + maintaining internal control

– **NOTE:** Additionally, many of the community schools have treasurers (or fiscal officers) that are not near the school. The boards/Supt need to be assuring that the contracted Fiscal Officer is providing timely information and that Boards receive the appropriate information to monitor fiscal activity.



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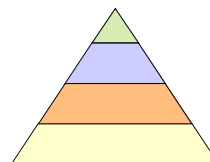


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Who is **Management**?

- Director/Superintendent
 - Responsibility for education and maintaining academic goals of management
- Management Company
 - **Question:** Can you farm out services of setting the tone at the top and responsibility to management company?



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Who is Management?

- **AUDIT COMMITTEE**
- **What is an Audit Committee? Oversees MANAGEMENT**
 - Institutionalizes an ongoing governing-body involvement with internal control and financial reporting.
 - A practical tool for ensuring that internal control and financial reporting is on the governing body's radar screen
- **An Audit Committee has three Goals:**
 1. Satisfy itself that management is maintaining a framework of internal control.
 2. Ensures that management's financial reporting practices are assessed objectively.
 3. The financial statements are properly audited and that any problems disclosed are satisfactorily resolved.

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Who is Management?

- **Benefits of an Audit Committee**
 - Focus on Governing body's attention on responsibility for internal control and financial reporting
 - Facilitates direct communication between the independent auditor and the governing body
 - Provides an appropriate venue for the independent auditors and the governing body to discuss in detail internal control and audit related matters

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Governance vs. Management

- **Governance**
 - Overseeing the strategic direction of the entity and obligations related to the accountability of the entity
 - includes overseeing the financial reporting process.
- **Management**
 - Responsible for achieving the objectives of the entity
 - Have authority to establish policies and make decisions by which those objectives are to be pursued.
 - Responsible for the financial statements, including designing, implementing, and maintaining effective internal control over financial reporting.
 - Fiscal officers are part of management because they are responsible for the financial statements and internal control over financial reporting.
 - Includes executive branch officials such as school “superintendents” or directors.
- **Sponsors-** exercise certain *governance* responsibilities

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Ways to Accomplish Goals

- Develop internal controls
 - To protect assets from loss
 - Ensure transactions are authorized
 - Ensure all funds are collected for services provided by the school
 - Ensure restricted funds used according to allowable purposes



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Types of Internal Controls

- General controls
- Security controls
- Management controls
- Monitoring controls



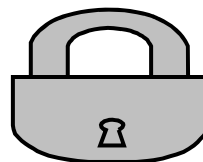
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Types of Internal Controls

- **General Controls**
 - Daily collections reconciled to source documents and deposited timely
 - Segregate collection / recording / depositing / reconciling duties
 - Using automated system to provide detail IE: cash registers
- **Security Controls**
 - Restrict physical access to cash
 - Deposits to bank made by courier
 - Passwords to computer access



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Types of Internal Controls 27

- **Management Controls**
 - Management review daily receipts / review reconciliation process daily /
 - Track daily overages / shortages by employee to look for trends
- **Monitoring Controls**
 - Monitor deposits taken to the bank
 - Perform bank reconciliations and investigate discrepancies
 - Surprise cash counts
 - Monitor voids / adjustments

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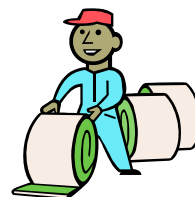


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Internal Controls

- **Management** must be committed to development and maintenance of controls.
- **Management** must clearly define expectations



NOTE: Segregation of duties has a potential cost associated (need to determine cost vs. benefit)

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Internal Controls

- Management must monitor controls
- Management must have understanding of information and be able to ask questions
- Management is front line to find theft



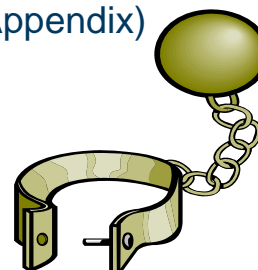
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Identify Applicable Laws – Controls to Assure Compliance

- Audit standards require each public office to develop systems (controls) to comply with law, grants, contracts for their entity
- Ohio Compliance Supplement (Appendix)
- Grants – Single Audits



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OHIO COMPLIANCE SUPPLEMENT

Matrix 3

Chapter 4: Accounting and Reporting

Step No.	Requirement	County	Township	City	Village	Public & STEM Schools	Community School
1.	OAC 117-2-03 (B): GAAP Financial Reporting (counties, cities, school districts, and community schools)	✓		✓		✓	✓
3.	3314.024 Footnote disclosure of management company expenses						✓
4.	117.111(A) Security controls over counties' electronic records	✓					
5.	OAC 117-2-02 Required accounting records	✓	✓	✓	✓	✓	✓



OHIO COMPLIANCE SUPPLEMENT

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> • Policies and Procedures Manuals • Knowledge and Training of personnel • Presence of an Effective Accounting System • Legislative and Management Monitoring 		
<ul style="list-style-type: none"> • Management's identification of changes in laws and regulations • Management's communication of changes in laws and regulations to employees 		



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HOW DO I MAKE MY AUDIT REPORT BETTER

MAINTAIN FINANCIAL RECORDS



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HOW DO I MAKE MY AUDIT REPORT BETTER

- Outside influences:
 - Does your legal counsel return pending litigation information quickly?
 - Do you identify who handles items such as federal programs & CS-ADM?
- Lack of evidence of bank reconciliations
- Lack of policies
 - Capital assets
 - Review of f/s and notes




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HOW DO I MAKE MY AUDIT REPORT BETTER

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- Lack of source documentation:
 - Credit card receipt detail for all purchases
 - Invoices
 - GAAP accounts
 - AUP procedures report
 - Management Company disclosures
 - Board recognition of financial difficulties and plans to address
 - Student enrollment (attendance records & EMIS/SOES information)
 - Single Audit information (report due 9 months from fye responsibility to follow A-133 guidelines even if no single audit)



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HOW DO I MAKE MY AUDIT REPORT BETTER?

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- Q. How do I know where these “issues” will be reported?
- A. Auditing Standards define reporting items and give guidance as to where auditors must report findings for noncompliance & control deficiencies
- *Statement on Auditing Standards (SAS)112 - Reporting Control Deficiencies (effective periods on or after 12/15/2006)*
 - *Statement on Auditing Standards (SAS)115 - Communicating Internal Control Related Matters Identified in an Audit (effective on or after 12/15/2009)*



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HOW DO I MAKE MY AUDIT REPORT BETTER

BUDGETS!



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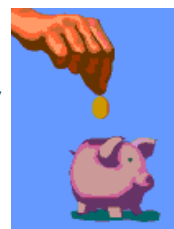


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Importance of Budgets

- In order for schools to use their resources wisely, there must be a financial plan or budget to allocate efficient use of their resources.
- **Management** has the primary responsibility for the budgetary process.
- **Management** must monitor budgets through review of monthly financial reports to evaluate adequacy of budget during the year



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SUMMARY



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Question:

How do I make my audit report better?

Answer:

Taking steps to ensure that the underlying financial data are complete and reliable by:

- Properly managing resources to achieve goals (Academic and FINANCIAL) of school
- Maintaining Financial Records
- Making responsible financial decisions via budgeting

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Questions??

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Always Remember.....

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AUDITOR OF STATE'S OFFICE

Audit Regions Map

Location of AOS Regional Offices

Regional Office Numbers

Athens 800-441-1389

Canton 800-443-9272

Cincinnati 800-368-7419

Cleveland 800-626-2297

Columbus 800-443-9275

Dayton 800-443-9274

Toledo 800-443-9276

Youngstown 800-443-9271

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Auditor of State's 2010 Community School Training

**Legal Update
and
Using Ohio's Public Records Act
to Promote
Open and Accountable
Government**



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Sandy L. Lynskey
Assistant Chief Legal Counsel

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**LEGAL
UPDATES**

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**Ohio Ethics Commission
Advisory Opinion No. 2010-01**

All members of the governing board, officers, employees of a community school are subject, without limitation, to:

- Chapter 102 of the Ohio Ethics Laws
- Ohio Revised Code Sections 2921.42 and 2921.43 (including all teachers)

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*Hope Academy v.
Ohio State Dept. of Educ.*
2008 WL 4226106 (Ohio App. 10 Dist.)

Ohio Revised Code 3314.02(E)(2), effective March 30, 2007, which provides that "[n]o person shall serve on the governing authorities of more than two start-up community schools at the same time" has prospective effect only.

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*State ex. rel. Nancy Rogers, Atty. Gen.
v. New Choices Community School*
2009 WL 2957360

- Charter school did not operate as a charitable trust that could be monitored and potentially dissolved under the AG's authority to oversee charitable trusts
- Assuming charter school was deemed to be a charitable trust, the AG's authority regarding charitable trusts had to give way to the more specific provisions in the Community School Act.

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*Richard Cordray, Ohio Attorney General
vs.
The International Preparatory School*

- Is a community school treasurer a "public official"?
- If so, Ohio Revised Code 9.39 "strict liability" applies.

* Orally argued before the Ohio Supreme Court on April 21, 2010 ...stay tuned

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Public Records Act

- Overview
- Complying with Public Records Requests
- Records Retention
- Open Meetings Act



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Office Public Records Policy R.C. 149.43(E)

- All public offices must prepare, distribute, and post a public records policy
- The Attorney General's model public records policy is available at: <http://www.ohioattorneygeneral.gov/files/Publications/Publications-for-Legal/Model-Public-Records-Policy.aspx>
- The model public records policy is for guidance, it is **not** a substitute for an individualized policy suited to each public office

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MODEL PUBLIC RECORDS POLICY

- **MISSION STATEMENT** Openness leads to a better informed citizenry, which leads to better government and better public policy. Consistent with the premise that government at all levels exists first and foremost to serve the interests of the people, it is the mission and intent of [public office] to at all times fully comply with and abide by both the spirit and the letter of Ohio's Public Records Act.
- **DEFINING PUBLIC RECORDS** All records kept by [public office] are public unless they are exempt from disclosure under Ohio law. All public records must be organized and maintained in such a way that they can be made available for inspection and copying. A record is defined to include the following: A document in any format – paper, electronic (including, but not limited to, business e-mail) – that is created, received by, or comes under the jurisdiction of [public office] that documents the organization, functions, policies, decisions, procedures, operations, or other activities of the office.

Definitions – The “Who?” of Public Records

- **Public Office** – R.C. 149.011(A)
- Any private entity that is the **functional equivalent** of a governmental entity



Definitions – The “What?” of Public Records

Records – R.C. 149.011(G):

- Information stored on a fixed medium (tapes, e-mails, photos, films, videos, papers, etc.), **and**
- Are created or received by, or come under the jurisdiction of, a public office, **and**
- Document what the public office does: the organization, functions, policies, decisions, procedures, operations, or other activities **of the office**

Definitions – The “When” of Public Records

Public Records – R.C. 149.43(A) includes records “**kept by**” any public office

“**Kept by**” means any record that is actually in existence and in the possession of the public office or person responsible for public records

- Examples of records **not “kept by”** a public office:
 - (1) a record not yet in existence,
 - (2) a record that has been disposed of lawfully


Electronic Records

E-mail

Databases

Electronic Records Management

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Electronic Records

Email

- Handle electronic records just like any other tangible record
- Analyze based on **content**, rather than storage medium



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Notes

Notes can be “records,” but are usually transient

Notes are not public records if they are:


- 1) Kept as personal papers, not official records;
- 2) Kept for the employee’s own convenience (for example, to recall events);

AND

- 3) Other employees did not use or have access to the notes

State ex rel. Cranford v. Cleveland, 2004 Ohio 4884

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Rights and Obligations

- **Any "person"** can make a public records request, including corporations and other governmental agencies
- **No special format or special language** required
- A request may be **written** or **verbal**
- The requester's motive is **not relevant**. However, the request must at least be specific and describe in detail the records being sought
- A public office cannot require the requester to put it in **writing** or reveal his/her **identity**

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Rights and Obligations

- **Regular business hours**
- Copies at **"cost"**
- Payment **in advance** (optional)
- Methods of **delivery**



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Public Records Act Exceptions

Unless the public office can identify an exception that clearly requires or permits withholding a requested record, it must disclose the record

- Exceptions are created only by law (Exceptions are usually statutes, but they may also come from constitutional rights or common law)
- Persons cannot "contract out" of the Public Records Act

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Mandatory/Catch-all Exemption

- Such records are prohibited from disclosure in response to a public records request, even if the public office would like to disclose it
- If any state statutes, rules, federal statutes or regulations prohibit public disclosure, then a public office **MUST NOT release** that record in response to a Public Records Request



Example: Student Records

Family Education Rights and Privacy Act of 1974 (FERPA)

School officials may not disclose personally identifiable information about students without the written consent of the students or their parents, unless permitted to do so by the Act

Additional Examples of Exceptions

- **Security & Infrastructure Records**
R.C. 149.433
- **Juvenile Records**
 - Juvenile Courts
 - Children Services Agency
 - Fingerprints and photographs statute



How to Comply With Public Records Requests

Preparation

Negotiation/Clarification

Documentation

Withholding/Redacting

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Preparation: Tools

Lists:

- Non-records
- Exceptions



Retention Schedules:

- Set and follow prudent records retention periods

Periodic training of office staff

Yellow Book: keep on hand, linked online:

http://www.auditor.state.oh.us/services/opengov/resources/OhioSunshineLaws2009_AnOpenGovernmentResourceManual.pdf

Contact information of your legal counsel

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Documentation

- Documenting the steps taken to satisfy a public records request is a **must!**
- If a request is made verbally, **write it down**
- Send a **receipt letter** if you cannot satisfy a request immediately. (See Handout Page 1)
- Document the **format** in which the requester wishes to receive the records
- Document the agency's charges per copy, if copies are requested

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Withholding or Redacting: Definition and Identification

- **“Redaction” - Obscuring or deleting** any information that is exempt from the duty to permit public inspection or copying from an item that otherwise meets the definition of a record
- Redactions must be plainly visible, or the office must advise the requester of what redactions have been made – R.C. 149.43(B)(1)

(See Handout Page 2)

Liabilities for Violating the Public Records Act

- **Mandamus Action** by “person aggrieved” by violation of Division 149.43(B) of the Public Records Act
A legal action in common pleas, appellate court, or the Ohio Supreme Court to enforce the Act
- **Civil Damages** (only if violation caused actual lost use of records)
- **Attorney’s fees** and court costs

Records Retention

Obligations
Liabilities
Schedules

Obligations of Public Offices for Records Retention

- A public office may **not** destroy, mutilate, or otherwise dispose of records except as provided by law or under the rules of the records commissions – R.C. 149.351

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Obligations of Public Offices for Records Retention

- **Shall organize and maintain** public records in a manner that they can be made available for inspection or copying
AND
- Shall have available a copy of its **current records retention schedule** at a location readily available to the public – R.C. 149.43(B)(2)

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Liabilities for Violating Records Retention Laws

Any person may file either or both of the following, in common pleas court:

- A civil action for **injunctive relief** to compel compliance with this section, and an award of reasonable attorney's fees, and/or
- A civil action to recover a **forfeiture of \$1,000 for each violation**, and an award of reasonable attorney's fees. R.C. 149.351

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Records Retention Schedule: Contents

- Record Series **Title**
- Series Description – describes the **purpose** and **function** of the record series and tells what **types of information** can be found in the records
- Set retention period, format(s) to be retained, and disposal method(s)

Create the schedule for someone who has no knowledge of the records – minimize use of jargon and acronyms.

(See handout page 5)

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Factors Determining Retention Periods

- **Administrative Purposes** – period needed by the office to carry out its duties
- **Fiscal Tracking** – needs pertaining to the receipt, transfer, payment, adjustment, or encumbrances of funds. Documents subject to audit.
- **Legal Value** – documents relating to rights or obligations of citizens, or of the agency that created it
- **Historical Value** – Ohio Historical Society/Archives

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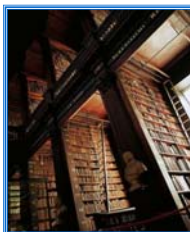
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Records Retention Information

Ohio Historical Center

**For more information,
please contact:**

State Archives
(614) 297-2553
localrecs@ohiohistory.org



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Open Meetings Act Overview

Definitions

Obligations

Executive Sessions

Liabilities

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Who is Subject to the Open Meetings Act and When? Definitions



Public Body:

Any decision-making body of the state, its political subdivisions, and school districts (including any committee or sub-committee of each body)

- Meeting:**
- (1) **Prearranged** gathering of
 - (2) a **majority** of members of public body
 - (3) conducting or discussing public business

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Looking Deeper: *What is a Meeting?*

- **Discussion/Deliberation vs. Information Gathering:**
 - Discussion and deliberation involve the weighing of reasons for and against a course of action and **must be conducted in the open**
 - Gatherings **solely** to receive factual information **may** not be meetings – **but consult legal counsel first!**
- **Work sessions:**
 - **Prearranged** work sessions, retreats, etc. where **public business is discussed** among a **majority of the members** of the public body are "meetings" and must be as noticed and open as any other meeting

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Obligations

Give appropriate **notice**
R.C. 121.22(F)

Take action & deliberate on public business in **open** session
R.C. 121.22(C)


Take & file **minutes**
R.C. 121.22(C)

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Obligation 1: Notice (by rule)

Types of Meetings and the Notice Required

Regular Meetings	➔	Meetings held at prescheduled intervals Notice = time and place
Special Meeting	➔	Any meeting that is not a regular meeting Notice = at least 24 hrs advance notice of time, place, and purpose.
Emergency Meeting	➔	Requiring immediate action Notice = immediate to news media

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Obligation 2: Openness

Take Action & Deliberate in Public

Where must public meetings be held?


- In a public forum within the area that the public body serves

Does the public have a right to speak at public meetings?

- Not required by the OMA, but may otherwise be permitted or required

Can members of the public record proceedings?

- Yes, if it does not disrupt the meeting

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Obligation 3: Minutes

“The minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to the public.”

- R.C. 121.22(C)
- Minutes do not have to be a verbatim transcript of the proceedings but must be accurate and enable the public to understand the rationale behind the public body's decisions.
- There is no requirement to keep minutes of executive sessions.

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Executive Sessions

Proper Procedures:

- Must be preceded by specific motion, second, and roll call vote
- Motion should state the specific permissible topic(s) to be discussed
- Meetings must always begin & end in open session (cannot adjourn the meeting from within executive session)

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Executive Sessions

Acceptable Topics for Discussion:

- Personnel (**must** state specific type of personnel matter to be discussed, but **not** identity of the person)
- Property
- Court action (only with the body's attorney)
- Collective bargaining
- Matters confidential by law
- Security arrangements
- County, Joint Township and Municipal hospitals' trade secrets

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Executive Sessions

Present in Executive Sessions:

Who may members include?

- anyone who is invited to stay

Who may the members exclude?

- any other members of the public

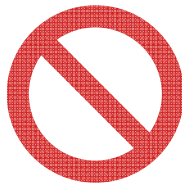
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Restrictions On Executive Session

- × There can be **no decision-making**
- × **No voting**, including "straw polls"
- × Non-permitted matters may **not** be discussed in executive session, even if intertwined with permitted matters
- × No minutes need to be taken (and probably shouldn't be) of executive session discussions



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Penalties for Violating the OMA

- Fines*
- Injunction*
- Court Costs*
- Action Invalidated*
- Fees*



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Miscellaneous Topics: Virtual Participation

- A member “**shall be present in person** at a meeting open to the public to be considered present or to vote at the meeting and for purposes of determining whether a quorum is present at the meeting”
 - R.C. 121.22(C)

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Questions & Answers

Sunshine Laws Web Page:

<http://www.auditor.state.oh.us/services/opengov/default.htm>

Yellow Book Online:

http://www.auditor.state.oh.us/services/opengov/resources/OhioSunshineLaws2009_AnOpenGovernmentResourceManual.pdf

**For Additional Information or to
Schedule a Presentation for your Group...**

Ohio Auditor of State’s Open Government Unit

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FY 2011 – Community School State and Federal Funding Update

Presented by Barbara Mattei-Smith
Office of Policy and Payments
Ohio Department of Education



Today's Topics

- State support for FY2011
- Update on ARRA
- ARRA Compliance Issues
- ARRA Monitoring and Risk Assessment
- ARRA Reporting



Funding – Basic Aid

- Basic Aid
 - CS FTE × \$5,703 (formula amount – FY2011)
 - CS FTE × \$50.90 (add-on building blocks)
- Parity Aid
 - Resident District FY2009 per pupil amount
 - Not provided to e-schools



Funding – Poverty Based Assistance

- Resident district FY2009 per pupil amount
- Intervention for students identified in poverty (family receiving OWF benefits - EMAD)
- All day kindergarten if district qualified for all day kindergarten funding & Community school provides it
- Limited English proficiency if district received LEP (Only 11 districts qualified for LEP)



Funding – Special Education Weighted

- Students must have current IEPs (Individual Educational Plans)
- Student must be receiving services
- IEPs must be completed and dated by Dec. 1




Funding – Career Tech Weighted

- Community School Offers program
 - Approved Program
 - Appropriately licensed teacher
 - Sufficient Students Enrolled in Class
- Student attends JVSD
 - Community school must contract with JVSD for services
 - Student may only attend the JVSD his/her district is a member of
 - Weight of 0.20 for percent of time student at JVSD




Funding – Career Tech Weighted

- Student attends CTE program at resident district
 - No weighted funding to community school
 - Community school receives funding for portion of day student at community school
 - Resident district retains funds for portion of day student at resident district




Current Status of ARRA Grants

- School Improvement Grant (SIG) –Ohio received \$132 million in SIG.
 - 42 Tier I and Tier II schools will receive \$95 million over the next three years.
 - 25% was reserved to assist Tier I and II schools not funded for possible funding next year.
- State Longitudinal Data System (SLDS) grant—Ohio received over \$5 million
- Teacher Incentive Fund (TIF) —Ohio is applying for over \$50 million for TIF
- Race to the Top (RTTT)—Ohio applied for Phase II. Decisions to be made September 1.

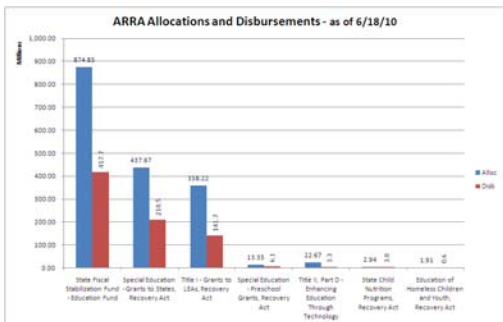


Current Status of ARRA Grants

- ARRAs in the 5th quarter of existence
- Transitioned from the implementation stage to an operations and monitoring stage
- 1512 Reporting—working with districts on the required ARRA reporting
 - Increase in total FTEs reported from 3rd to 4th quarter
- Monitoring—ODE continuing to monitor LEAs
- Ohio Inspector General and US General Accounting Office—providing required documentation as part of recent compliance reviews
- US Department of Education – preparing for September monitoring visit



Current Status of ARRA Grants




Waste, Fraud or Abuse

- To report waste, fraud or abuse
 - Auditor of State at 866-FRAUD OH or <http://www.auditor.state.oh.us/fraudcenter/default.htm>
 - Ohio Inspector General <http://www.auditor.state.oh.us/fraudcenter/default.htm>
 - The federal Recovery Board http://www.recovery.gov/Contact/ReportFraud/Pages/Report_Fraud.aspx

Key Financial Compliance Requirements That Are Generating Questions


Audit Considerations

- New entities may be required to have Single Audits
 - Entities are required to inform auditors of need to have Single Audit per A-133
 - Required when \$500,000 or more in expenditures in an entity's fiscal year
- If an entity is not required to have a Single Audit, no amount of audit can be paid for by Federal funds
- ARRA funds will be included on the Federal Schedule and included in risk assessment of programs (Including SFSF)




Audit Considerations

- US Department of Education Office of Inspector General is concentrating on issues in:
 - Cash Management
 - Data Quality
 - Monitoring
 - Use of Funds
 - Procurement



Cash Management

- Cash Management Improvement Act
- 31 CFR 205
- 34 CFR 80.21
 - Schools must maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement.
- 34 CFR 80.21
 - permits interest of \$100 annually per entity (not per grant)
- **Applies to Education Stabilization funds**



Cash Management Process – Noncompliance

- If a school does not comply, ODE will compute interest to rebate to the US Government.
- If amounts on cash request are not supported by accounting records, ODE may be forced to place a district on reimbursement
- ODE may also place district on high risk grantee status



Maintenance of Effort

- Title I, Title II-A, Title II-D, Title III, Title IV and 21st MOE requires combined fiscal effort from state and local funds equal to at least 90% of expenditures for the preceding fiscal year.
- IDEA, Part B MOE requires combined fiscal effort from state and local funds equal to at least **100%** of expenditures for the preceding fiscal year.
 - Exceptions provided in certain instances, speak to your grant coordinator.
- ODE uses EMIS data to make the calculation




Maintenance of Effort

- It is critical before changing a funding method for a part or all of the IDEA program to contact the Office of Exceptional Children to ensure you continue to meet maintenance of effort requirements
- SFSF funds designated as “SPECIAL EDUCATION SUPPORT” cannot be used to meet LEA maintenance of effort



IDEA Part B Specific Information

- Districts may use up to 50% of the increase in IDEA Part B funds IDEA Part B ARRA funds to legally supplant local funds previously used for special education programs
- Guidance is found on ODE website (Stimulus Page)
- Additional requirements apply before this provision can be used
- Ask Office of Exceptional Children for advice prior to starting activity




IDEA Part B Specific Information

- Calculation Example:
2009 IDEA Part B allocation - \$1,000,000
2010 IDEA Part B allocation - \$1,500,000
2010 IDEA Part B ARRA allocation - \$750,000

\$2,250,000 (2010) minus \$1,000,000 (2009) = \$1,250,000

50% of \$1,250,000 = \$625,000 legal supplant in 2010




IDEA Part B Specific Information

- Calculation Example:
2010 IDEA Part B allocation - \$1,500,000
2010 IDEA Part B ARRA allocation - \$750,000
2011 IDEA Part B allocation - \$1,600,000

\$1,600,000 (2011) minus \$2,250,000 (2010) = \$0 increase

50% of \$0 increase = \$0 legal supplant in 2011




Monitoring and Risk Assessment




Monitoring and Risk Assessment

- Who's watching over us?
 - General Accounting Office
 - US Department of Education
 - US Department of Education - Office of Inspector General
 - Ohio Department of Education
 - Ohio Inspector General
 - Ohio Auditor of State
 - Media and General Public




Monitoring and Risk Assessment

- GAO: Internal controls and subrecipient monitoring is and will be a major focus for Congress and the Administration
- OIG: Issued Management Report that indicated inadequate monitoring of by state education agencies as the most common internal control weakness
- Auditor of State: State of Ohio audit report has numerous instances of issues with subrecipient monitoring




Monitoring and Risk Assessment

- ODE will continue to develop a process to review and provide technical assistance to all districts that receive ARRA and other Federal funds
 - Increased monitoring of cash management in SFSF funds
 - Desk reviews of activities
 - Site visits from program and finance staff
 - Review of district reported data in quarterly reports and AOS Stimulus tracker



Monitoring and Risk Assessment

- ODE provided training to AOS auditors (March 2010) and will provide training to IPAs (August 2010) to discuss expectations
 - Our message will be to review guidance and ask questions before putting comments in reports
 - Understand this was a process that was “learn as you go” rather than very settled as we are used to
 - Ask ODE questions




Quarterly Reporting and SFSF Year End Reports




ARRA Quarterly Reporting

- Quarterly reporting will continue so long as ARRA funds are available
- Most ARRA grants continue through September 2011.
- SIG continues through 2013
- TIF through 2014
- RTTT through 2014




ARRA Quarterly Reporting

- Quarterly reports are published on ODE web site and federal recovery site
- Allocations reported are for the two year allocation period – not the single year
- Data on federal site compiled by DUNS numbers, sharing a DUNS number distorts data
- US Department of Education will issue guidance for calculating summer jobs soon



SFSF Annual Report

- Annual report to collect more detailed data
- Due in early February
- Activity through Sept. 30, 2010
- Will likely be collecting data in October/November



General Comments

- ARRA raised the stakes
- Each governing board, financial officer, superintendent is responsible for the federal funds they receive
- This responsibility cannot be transferred to a management company



Questions