

OHIO AUDITOR OF STATE KEITH FABER



From: Auditor of State's Center for Audit Excellence

To: All IPA Firms

Subject: School Federal Grant Receivables

Date: November 17, 2022

To maintain consistency throughout the state, we want to clarify the Auditor of State's position on school receivables for Federal grants received via CCIP.

GASB Statement 33 and GASB Technical Bulletin No. 2020-1 require that for a receivable to be booked, a school must have (1) an executed grant agreement and (2) for reimbursement-type grants, allowable costs which were incurred under the program but not reimbursed as of fiscal year-end. In calculating school receivables for Federal grants received via CCIP, auditors should use the following to determine whether *both* requirements have been met therefore a receivable should be booked:

- (1) For Federal funding passed through ODE via the CCIP, the school's application must be in final, approved status to be considered an executed grant agreement. If there is no traditional grant agreement, auditors should accept a well-reasoned approach to support a grant agreement is executed by fiscal year-end.
- (2) Based on discussions with ODE, Federal assistance passed through ODE via the CCIP is reimbursement-type funding therefore for a receivable to be booked the school will need to show allowable costs incurred under the program that were not reimbursed at fiscal year-end. Any funding received prior to being expended by the school should be reported as unearned revenue at fiscal year-end.

This guidance is applicable specifically to Federal assistance provided by ODE via the CCIP. We are aware other types of funding (including smaller grants, school foundation, and Ohio School Facilities) do not flow through the CCIP and these sources may not function in the same manner as federal funding in the CCIP. These other sources should be evaluated on a case-by-case basis for proper accounting treatment in accordance with GASB 33 and GASB Cod. N50.

Where adjustments are required, auditors should follow AICPA Professional Standards AU-C 450, *Evaluation of Misstatements Identified During the Audit*, and determine if the adjustments are material, individually or in the aggregate, requiring the school to adjust their financial statements. We anticipate that for most schools the impact to prior period ending balances will be immaterial. If immaterial, changes can flow through current year activity rather than requiring a restatement of prior period ending balances.

Finally, AOS recognizes that the complexity of Federal programs and the changing guidance may make it difficult and cumbersome for schools to record this information accurately. As such, for fiscal year 2022 audits auditors should not issue internal control deficiencies related to adjustments of school CCIP Federal program receivables if the school's financial framework reporting controls otherwise were adequately designed over the financial framework reporting process. We also recognize auditees / conversion companies may come to a different conclusion. In those instances, auditors should evaluate their documented rationale for reporting.

If you have any questions, please contact AOSFederal@ohioauditor.gov.