

The Oregon Secretary of State, Division of Audits publishes and periodically updates the Minimum Standards for Audits of Oregon Municipal Corporations. The Oregon State Department of Education publishes and periodically updates the State School Fund Formula. Municipal Auditors in Oregon are required to comply with the requirements set forth in these Minimum Standards. It should also be noted that it is the responsibility of the users to determine if the publication is current.

The Governmental Accounting and Auditing Strategic Interest Team of the Oregon Society of CPAs is providing the following suggested audit guidance and disclosures for **State School Fund** for the Minimum Standards. The committee makes no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, or suitability of the program and procedures herein. The objective is to provide auditors with guidance, and a starting point, but should not be considered a replacement for professional judgment. Representatives of the Oregon Secretary of State, Audits Division have reviewed this document and provided input, however, the document should not be considered authoritative or all-inclusive.

If you have questions or find errors, please contact us at profdev@orcpa.org or 503-641-7200 / 800-255-1470, ext. 3.

**GOVERNMENTAL AUDIT PROGRAM FOR
OREGON STATE SCHOOL FUND
([OAR Chapter 162 Division 10 Chapter 0315 and ORS 328](#))**

Government Entity: _____

Statement of Net Position Date: _____

AUDIT OBJECTIVES

In addition to auditing the accounts and financial statements of a municipal corporation, the independent auditor is required to review its fiscal affairs. The review shall include, but not necessarily be limited to, determining if financial operations have been carried out in accordance with appropriate legal provisions including federal and state laws, charter provisions, court orders, ordinances, resolutions, and rules and regulations issues by other governmental agencies. It is the auditor's responsibility to disclose in the audit report material instances of noncompliance with such legal provisions.

Financial operations have been carried out in accordance with appropriate legal provisions including federal and state laws, charter provisions, court orders, ordinances, resolutions, and rules and regulations issued by other governmental agencies.

ORS 328.465 (5) "The audit required by this section must include an audit of those factors that are used to compute the State School Fund distribution under ORS 327.011, 327.013 or 327.019."

OAR 162-10-315 "There shall be comments regarding the school district's compliance with legal requirements as stated in ORS 327.013 and as further defined by the Oregon State Department of Education pertaining to the district's calculation and reporting of the factors used to compute the State School Fund distribution."

Objectives:

1. Determine if internal controls are present and operating and assess risks.
2. Determine that the factors used to calculate the average daily membership (ADM) are accurate and supported by the underlying accounting records.
3. Determine that the teacher experience factor is correctly calculated and reported.
4. Determine that the reimbursable transportation costs are properly computed and reported.

Review of operations shall provide evidence sufficient to comment with respect to sections 162-010-0315 of the Minimum Standards and ORS 328.465.

Note: Due to the state’s significant time lag in issuing the school-funding summary, testing should be performed for the fiscal year preceding the year under audit.

Department of Education payments of state school fund moneys will vary from district to district depending on individual characteristics of that particular district (student population, teacher experience, transportation costs, and extra weighting categories such as alternative programs). Therefore, the auditor should employ a variety of substantive audit procedures to verify accuracy of individual factors supporting the amount of state school fund money received.

☐ REFERENCES

OAR 581-023-0006 - Student Accounting Records and State Reporting

OAR 581-023-0040 - Approved Transportation Costs for Payments from the State School Fund

OAR 581-023-0100 - Eligibility Criteria for Student Weighting for Purposes of State School Fund Distribution

☐ OTHER INFORMATION

- Department of Education and Secretary of State website for Administrative Rules www.sos.oregon.gov; then select the green tile (button) for the Oregon Administrative Rules
- “Oregon Student Personnel Accounting Manual” can be requested from Oregon Department of Education’s School Finance and School Facilities, Director, as well as applicable forms are on the Department of Education website at www.oregon.gov/ode

STATE SCHOOL FUND		
Suggested Procedure	Performed by and Date	WP Ref
Average Daily Membership		
1. Gain an understanding of and document the district’s system of internal control for the following areas: <ul style="list-style-type: none"> • Regular attendance (form 581-3200) • Part-time program attendance (form 581-3201) • Alternative program attendance (form 581-3201A) • Nonresident students (form 581-3202) • English as a Second Language students (form 581-3224) • Pregnant and Parenting students (form 581-3225) • Reimbursable Transportation Costs • Teacher Experience 		
2. Select a sample of schools within the district and review their written procedures to determine whether they are in compliance with Student Accounting Records and State Reporting requirements (OAR 581-023-0006)		
3. Perform tests of controls when applicable and assess risk.		

STATE SCHOOL FUND		
Suggested Procedure	Performed by and Date	WP Ref
4. Obtain the district’s final school-funding summary prepared by the Department of Education.		
5. Obtain or prepare a summary of the components of ADM: A. Agree total ADM to the final school-funding summary. B. Compare ADM by component to the previous year and obtain explanations for significant variances.		
6. Considering materiality and significance, the auditor should use judgment to select sufficient and appropriate auditing procedures. Examples include the following: A. Obtain district report forms and supporting documentation for various factors. i. Verify number of session days at each school, by grade. ii. Verify student FTE. B. Perform analytical review procedures of the ADM factors. C. Select a sample of students to determine proper enrollment or withdrawal. D. Verify eligibility for certain programs and extra weighting factors (i.e., ESL student in an ODE approved ELL program, or Pregnant and parenting student needs accommodation and has an individualized written plan for services.) E. Trace attendance information to enrollment records. F. Recalculate ADM and agree to the ADM summary. G. Other reasonableness tests.		
7. Select a sample of students from schools within the district. Obtain the school’s annual 581-3200. Recalculate ADM and agree to the ADM summary. Select a sample of students from schools and verify: <ul style="list-style-type: none">• Student was properly enrolled.• Student was properly withdrawn if absent more than 10 consecutive days.		
8. Nonresident students - If material, obtain the district’s annual 581-3202 and agree to supporting documentation.		
9. English as a Second Language - If material, obtain the district’s annual 581-3224. Recalculate ADM and agree to the ADM summary. Foot supporting documentation and trace total days membership to the 581-3224. Select a sample of students and verify eligibility: <ul style="list-style-type: none">• Student was included in the district’s ADM.• Student was a language minority student.		

STATE SCHOOL FUND		
Suggested Procedure	Performed by and Date	WP Ref
<ul style="list-style-type: none"> • Student attended ESL classes. 		
<p>10. Pregnant and Parenting – If material, obtain the district’s annual 581-3225. Recalculate ADM and agree to the ADM Summary.</p> <p>Foot supporting documentation and trace total days membership to the 581-3225.</p> <p>Select a sample of students and verify eligibility:</p> <ul style="list-style-type: none"> • Student was included in the district’s ADM. • Student was not a special education participant. • Student had an individualized written plan for services. • Student received Pregnant and Parenting services. 		
<p>11. Ensure students are not double counted when unallowed. For example, Pregnant and Parenting students should not also be counted as a special education participant. Pregnant and Parenting participants should have an individualized written plan for service and have received services.</p>		
Reimbursable Transportation Costs		
<p>1. For Student Transportation Expenses consider the application of the following audit procedures:</p> <p>A. Gain an understanding of and document the district’s system of internal control over reimbursable transportation costs.</p> <p>B. Compare transportation expenses by function code for allowability.</p> <p>C. Compare expenses by function code to the previous year and explain significant variances.</p> <p>D. Review non-reimbursable mileage reported. Compare to the previous year and explain significant variances.</p> <p>E. Ascertain that only transportation vehicles are maintained at shop.</p> <p>F. Test payroll expenditures and verify they are transportation related.</p> <p>G. Verify whether depreciated vehicles/equipment are used for pupil transportation.</p> <p>H. Verify reimbursable transportation costs are not comingled or reported with other non-reimbursable costs (such as maintenance/facility costs).</p> <p>I. Foot and recalculate depreciation schedules, if applicable.</p>		
Teacher Experience		
<p>1. Teacher Experience:</p> <p>A. Gain an understanding of and document the district’s system of internal control over reporting teacher experience.</p>		

STATE SCHOOL FUND		
Suggested Procedure	Performed by and Date	WP Ref
<p>B. Select a sample of personnel from the Salary Settlement Worksheet submitted to ED and vouch years of experience to supporting documentation in personnel files.</p> <p>C. Obtain a copy of licensed teacher salary agreements and agree teacher years of experience to selected personnel files.</p>		
General		
1. Prepare a summary of audit findings and conclusions for inclusion in the audit report and/or management letter if necessary.		
2. Make comment on compliance in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting on an Audit of Financial Statements Performed in Accordance with <i>Oregon State Regulation</i> .		
3. Obtain written representations from management that all information and records of the factors used to compute the State School Fund distribution have been made available.		