



PSCP Fiscal and Internal Control Practices Audit

What to Know From an Auditor's Perspective

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AIU	HJI	WWE	PLD	EER	ORT
1,822 (-35)	20,369 (+580)	890 (-20)	6,350 (+200)	10,985 (+580)	665 (-15)
MBC	LJH	MJB	PON	NFR	UGH
3,405 (+210)	9,542 (-128)	2,609 (+35)	7,654 (+189)	4,522 (-122)	1,632 (-58)
YBV	OMN	MMJ	IT	KLM	CCX
3,204 (-33)	5,211 (+156)	7,100 (-60)	7,150 (-150)	782 (-74)	1,901 (+101)
MBB	WFF	HJM	DL	SDH	
3,320 (-180)	712 (-12)	134 (-8)	2,022 (-18)	631 (-40)	6,287

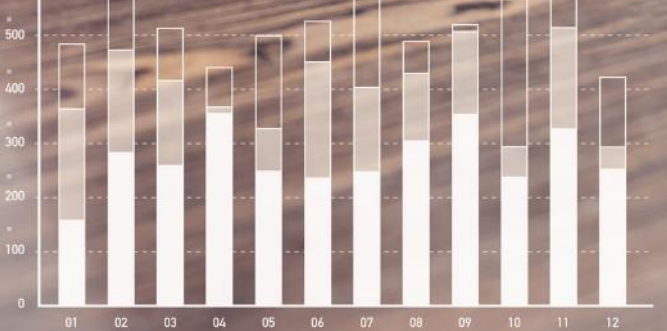


Welcome

- This presentation is being recorded and will be emailed to you after the event along with the slide deck.
- Submit any questions using the Q&A feature at the bottom of your screen



KEE	485	A	8,369,000
NAH	8,569		189,381,000
GOP	6,602		102,698,000
THK	890		24,697,000
WIG	6,280		76,002,000
AHD	2,436		57,610,000





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SUPERVISOR



Lisa joined Wegner CPAs' Assurance Department after obtaining her master's degree in professional accountancy from the University of Wisconsin-Whitewater. She performs audits for a number of different nonprofit organizations and small for-profit entities, and is experienced in the Wisconsin Private School Choice and Special Needs Scholarship Programs.



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Learning Objectives

- Assess what policies are needed.
- Understand each of the audit sections required under the Fiscal and Internal Practice Audit.
- Identify ways to improve current practices in order to avoid noncompliance.

Terminology and Abbreviations

- Private School Choice Program = Choice or PSCP
- Fiscal & Internal Control Practices Audit = Fiscal Practices Audit
- Department of Public Instruction = DPI

Timing

- Audit fieldwork is typically performed in November.
- Performed in conjunction with the September Enrollment audit.
- Typically, fieldwork is held onsite for two to three days.
- Audit is due on December 15th.

Policies and Procedures

- Required policies specific to the Fiscal Practices Audit:
 - Employee expense reimbursement
 - Electronic fund transfer (EFT)
 - Eligible education expense
 - Immoral conduct
- Capitalization policy for property and equipment.
- Best practice is to also have the following policies/procedures:
 - Financial/accounting
 - Employee handbook
 - Conflict of interest
 - Whistleblower
 - Document retention and destruction

13 Required Audit Sections

1. Financial Accounting System
2. Budget
3. Expense Payment
4. Employee Compensation Payment
5. Financial Internal Control System
6. Government Agency Filing
7. Liability Insurance
8. School Bus
9. Alternative Vehicle Pupil Transportation
10. Background Checks
11. Fidelity Bond
12. Employee Education
13. Management Letter

Financial Accounting System

- Review of the accounting system, which includes:
 - What system is used.
 - Walkthrough of transactions.
 - Ensuring readily retrievable information.
- Review of how eligible education expenses are recorded and if expenses are properly separated.
- Review of how revenue is recorded and if sources are properly separated.

Budget

- Budget, with the required components, is required to be completed by June 30th.
- Budget must be amended if the budgeted number of students compared to actual number of students results in a difference of 20 students or 20% (lesser of the two).
- Amended budget is required to be completed by November 1st.

Budget – Required Components

- Total September and January FTE Enrollment.
- Choice September and January FTE Enrollment.
- Estimated total revenues and costs.
- Estimated eligible education expenses for the Choice program.
- Estimated offsetting revenues for the Choice program.
- Schedule of anticipated beginning and ending net assets which should include a budgeted Statement of Financial Position.
- Anticipated beginning and ending Choice program reserve balance.

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS		
Line	A Line Description	B Amount
1	Expenses on Statement of Activities	
2	Ineligible Depreciation Expense	
3	Contributed Expenses Other Than Fixed Assets	
4	Bad Debt Expense	
5	Scholarship Awards & Other Financial Support for Pupils	
6	Daycare Expenses	
7	School District Partnership Expenses	
8	Church Expenses	
9	Eligible Education Expenses Primarily for SNSP Pupils	
10	Eligible Education Expenses on SNSP Statements of Actual Cost	
11	Other Non-Eligible Expenses	
12	Less: Total Non-Eligible Expenses	\$ -
13	Add: Eligible Education Expense for Land	
14	Eligible Education Expenses	\$ -
15	Government Assistance Excluding Forgiven PPP Loans	
16	Fundraising Revenue	
17	Insurance Proceeds	
18	Less: Total Offsetting Revenue	\$ -
19	Adjustments to Prior Year Net Eligible Education Expenses	
20	Net Eligible Education Expenses for All Pupils	\$ -
PERCENTAGE OF PUPILS PARTICIPATING IN PSCP		
21	PSCP Pupil Average Full-Time Equivalent 3rd Friday Sept & 2nd Friday Jan Average FTE	
22	All Pupil Average Full-Time Equivalent 3rd Friday Sept & 2nd Friday Jan Average FTE	
23	Percentage of Pupils Participating in PSCP	0.00%
PSCP RESERVE BALANCE		
24	PSCP Revenue	
25	Summer School PSCP Revenue	
26	PSCP Revenue	\$ -
27	Less: Net Eligible Education Expenses for PSCP Pupils <i>Line 20 times Line 23</i>	-
28	Add: PY PSCP Reserve Balance	
29	Less: Repayment of PY PSCP Reserve Balance	
30	June 30, 2022 PSCP Reserve Balance	\$ -
31	Plan for PSCP Reserve Required	Not Required

Expense Payment

Component	Focus of Testing
Accounts payable as of the financial audit	Amounts were paid as of the date of fieldwork.
Check register	Paid as required by written agreement or 90 days of invoice/payment request.
Accounts payable as of the date of fieldwork	Paid as required by written agreement or 90 days of invoice/payment request.
Employee expense reimbursements	Paid as required by the School's written policy and are supported by a receipt.
Rental payments	Paid as required by the lease agreement.

Employee Compensation Payment

- Compensation agreements are required for all School employees.
- Written notification of any payroll changes from the initial compensation agreement, including bonuses.
- Employees are paid at least once every 31 days or the frequency established by a valid collective bargaining agreement.
- Employees have been provided with the payroll dates in advance of the first payroll date.

Employee Compensation Payment

- Employees were paid on the date communicated to the employee prior to the first payroll date.
- Employees from the payroll register can be traced to an independent source.
- Employees from the independent source can be traced to the payroll register.
- Gross payroll from 7/1 – 10/31 from the payroll registers ties to the accounting system.

Employee Compensation Payment

- Accrued wages and benefits as of the financial audit were paid as of the date of fieldwork.
- Additional procedures are required for continuing schools that are determined to have a medium or high financial viability risk.
- Review of Department of Workforce Development claims.

Employee Compensation Payment – Compensation Agreements

- Compensation agreements will be reviewed for the following:
 - Signed by the head of school and employee in advance of the first payroll date.
 - Compensation per the agreement ties to what was actually paid per the payroll register for:
 - One pay period in September.
 - One pay period in October.
 - First payroll date through the date of fieldwork.

Employee Compensation Payment – Payroll Changes

- There should be a written notification of the change.
- Written notification should be signed by the employee.
- If it is a one-time change (i.e. bonus), written notification is required to include when it will be paid and for how much.
- If it is an ongoing change (i.e. raise), written notification is required to include when the raise will be in effect and for how much.

Financial Internal Control System

Component	Focus of Testing
Bank accounts	<ul style="list-style-type: none">• Located in Wisconsin• Only used for the School's transactions or if at the entity level, the accounting system separates transactions.
Non-choice deposits	<ul style="list-style-type: none">• Review of supporting documentation for identification of nature and source.
Cash disbursements	<ul style="list-style-type: none">• Use of pre-numbered checks.• EFT were paid via the School's policy.• Supported by invoice/payment request.

Financial Internal Control System

Component	Focus of Testing
Bank reconciliations	<ul style="list-style-type: none">• Reconciliations are performed and are completed timely.
Insufficient funds	<ul style="list-style-type: none">• Review of bank statements for insufficient funds.
Reserve balance	<ul style="list-style-type: none">• Board approved.• How the reserve balance will be spent down.

Government Agency Filing

- Accrued taxes as of the financial audit were paid as of the date of fieldwork.
- IRS, DOR, DWD, and DFI filings and payments were completed and paid as required.
- Audit requirements required for government grants were completed and the audit report was submitted to the government agency within 30 days of issuance.

Liability Insurance

- Insurance coverage is required for:
 - Worker's Compensation
 - Commercial General
 - Umbrella Excess
 - Auto
 - Errors & Omissions
 - Sexual Misconduct
- Payments are current.
- Insurance period goes through the date of report.
- DPI Listed as the Certificate Holder.

School Bus

- Three different levels determine the type of testing we do:
 - School owns buses.
 - School utilizes buses from the public school district.
 - School contracts buses from a third party.
- If the school owns the buses:
 - Review of certificate of insurance.
 - Insurance payments are current.
 - Review of the results of the annual inspection.

School Bus

- If the school uses the public school's buses:
 - Nothing additional is required.
- If the school contracts the buses:
 - This requirement is applicable for any buses paid for from 7/1 through the date of fieldwork, including a bus for a field trip.
 - We are required to:
 - Review the certificate of insurance.
 - Review the results of the annual inspection or letter from the contracted bus company that an annual inspection occurred, and the buses passed.

Alternative Vehicle Pupil Transportation

- An alternative vehicle is any motor vehicle that is not a yellow school bus and that is used to transport pupils other than parents transporting their own children.
- Three different levels determine the type of testing we do:
 - School owns an alternative vehicle.
 - School utilizes an alternative vehicle from the public school district.
 - School contracts an alternative vehicle.

Alternative Vehicle Pupil Transportation

- If the school owns the alternative vehicle:
 - Review of certificate of insurance.
 - Insurance payments are current.
 - Review of the results of the annual inspection.
 - Review of the list of passenger's compared to the vehicle's capacity.
 - Review of the background check and information request form was completed for every driver.
- If the school uses the public school's alternative vehicle:
 - Nothing additional is required.

Alternative Vehicle Pupil Transportation

- If the school contracts the alternative vehicle:
 - This requirement is applicable for any alternative vehicle paid for from 7/1 through the date of fieldwork, including an alternative vehicle for a field trip.
 - We are required to:
 - Review the certificate of insurance.
 - Review the results of the annual inspection or letter from the contracted alternative vehicle company that an annual inspection occurred, and the alternative vehicle passed.
 - Review of the list of passenger's compared to the vehicle's capacity.
 - Review of the background check and information request form was completed for every driver.

Background Checks

- Background checks are required for employees and outsourced company/individual who are directly or indirectly related to educational programming or a related party.
 - This includes any administrative employees (i.e. school's accountant).
- Background checks on new hires should be completed before starting work for the school.
- Background checks should be completed every 5 years.
- In lieu of the background check, the school can use the DPI issued license option.

Fidelity Bond

- Typically, included within the school's insurance policy.
- It is insurance to protect the school against loss from dishonesty, malfeasance, and neglect (i.e. crime-employee dishonesty policy).
- Payments are current.

Employee Education

- A bachelor's degree or higher is required for the school's administrator and teachers from an accredited school or a DPI teacher or administrator license.
- A high school degree, GED, or equivalency diploma or higher is required for the school's teacher aides.
- Need a copy of the individual's degree, official transcript, or license.
- This requirement is required for any of these positions that are outsourced (i.e. substitutes).
- If an employee's name is changed, proof is required to be provided.

Management Letter

- Only required if you are a continuing school that had a management letter issued with the prior year financial statement audit.
- We are required to review the status of the deficiencies listed in the letter.
- If the recommendation isn't implemented, it is considered noncompliance.

Key Takeaways

- Make sure all required documentation is obtained and available prior to the start of fieldwork.
- Make sure your onboarding process includes obtaining all of the items needed for the employee related requirements (compensation agreement, background check, degree/transcript/license, etc.).
- Create and utilize a checklist for each audit section.

Questions?



Resources

- Trainings like this!
- We also offer advisory services to help you get started.
- DPI's website.

Contact Us



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THANK YOU



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