

CR 86-212

CERTIFICATE

STATE OF WISCONSIN)
DEPARTMENT OF PUBLIC INSTRUCTION) SS

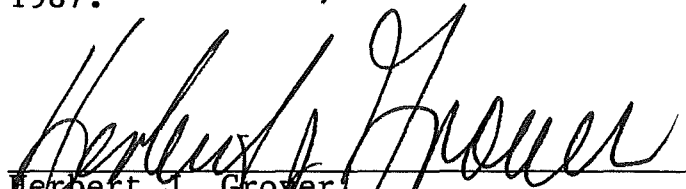
I, State Superintendent of the Department of Public Instruction and custodian of the official records of said department, do hereby certify that the annexed rule relating to minimum standards for audit and a standard school district audit contract was duly approved and adopted by this Department on the first day of the month following publication in the Wisconsin Administrative Register.

I further certify that said copy has been compared by me with the original on file in this Department and the same is a true copy thereof, and of the whole of such original.

RECEIVED

APR 16 1987
9:25 am
Revisor of Statutes
Bureau

IN TESTIMONY WHEREOF, I hereunto set my hand and affixed the official seal of the Department at General Executive Facility (GEF) 3, 125 South Webster Street, P.O. Box 7841, in the city of Madison, this 16th day of April, 1987.


Herbert J. Grover
State Superintendent
State Department of Public Instruction

**ORDER OF THE
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
REPEALING AND RECREATING AND CREATING RULES**

1 To repeal and recreate PI 14.03 and to create an Appendix to ch. PI 14, relating to
2 minimum standards for school district audit and a standard school district audit contract.

ANALYSIS BY THE DEPARTMENT OF PUBLIC INSTRUCTION

Section 120.14(4), Stats., requires the department of public instruction to prescribe minimum standards for school district audits and a standard school district audit contract. These standards are currently contained in s. PI 14.03.

This proposed order will update s. PI 14.03 to include the most current requirements and practices of federal regulations and professional standards, including the applicable provisions of the Single Audit Act of 1984, and to accommodate changes in the structure of school district accounts brought about by a change from cash accounting to modified accrual accounting.

In addition, the rule is being repealed and recreated so that the format of the rule is more clearly understood and conforms to the proper rule drafting format. The minimum standards for audit have been separated from the sample audit contract so that those provisions which are mandatory are clearly understood. Examples of contract provisions which would be agreed upon between the school district and the auditor are referred to in the sample contract.

3 Pursuant to the authority vested in the department of public instruction by
4 s. 120.14(4), Stats., the state superintendent hereby repeals and recreates and creates
5 rules interpreting s. 120.14, Stats., as follows:

6 SECTION 1. PI 14.03 is repealed and recreated to read:

7 PI 14.03 MINIMUM STANDARDS FOR AUDIT AND STANDARD SCHOOL DISTRICT
8 AUDIT CONTRACT.

9 (1) DEFINITIONS. In this section:

10 (a) "Auditor" means the licensed accountant employed by the school board to
11 perform the audit.

1 (b) "Defalcation" means the misappropriation of assets.

2 (c) "Department" means the Wisconsin department of public instruction.

3 (d) "Fiscal year" means the school year as defined under s. 115.001(13), Stats.

4 (e) "Licensed accountant" means a person licensed as a certified public accountant
5 or a public accountant by the accounting examining board under ch. 442, Stats.

6 (f) "School board" means the school board in charge of the schools of the district.

7 (g) "School district" has the meaning described in s. 115.01(3), Stats.

8 (2) **MINIMUM STANDARDS FOR AUDIT.** Under s. 120.14(1), Stats., at the close of
9 each fiscal year, the school board of each school district shall employ a licensed
10 accountant to audit the school district accounts and certify the audit. The minimum
11 requirements for the audit are as follows:

12 (a) **Audit scope.** 1. The auditor shall conduct an examination of the combined
13 general purpose financial statements including all funds and account groups of the school
14 district for the fiscal year.

15 2. The auditor's examination shall be made in accordance with all applicable
16 federal laws and regulations and Wisconsin Statutes and administrative rules, including the
17 following:

18 a. Generally accepted auditing standards as required under s. ACCY 1.202. For
19 purposes of the contract under sub. (3), the procedures necessary to comply with the
20 generally accepted auditing standards shall include the applicable procedures outlined by
21 the Wisconsin institute of certified public accountants in the Wisconsin school district
22 audit guide; by the American institute of certified public accountants in the industry audit
23 guide, audits of state and local governmental units; and by the department in the
24 Wisconsin school district audit manual.

25 b. The standards for financial and compliance audits contained in the standards for
26 audits of governmental organizations, programs, activities, and functions, issued by the
27 comptroller general of the United States.

1 c. The applicable provisions of the United States office of management and
2 budget, circular A-128, audits of state and local government, issued pursuant to the Single
3 Audit Act of 1984 at 31 USC ss. 7501 to 7507.

4 3. The examination is not required to include a detailed audit of transactions to
5 the extent which would be required if intended to disclose defalcations or other irregulari-
6 ties although their discovery may result. If the examination discloses any irregularity, the
7 auditor shall report the irregularity to the school board and to the department.

8 4. The financial statements presented in the auditor's report shall comply with
9 generally accepted accounting principles and shall conform to the accounting system pre-
10 scribed by the department under s.115.28(13), Stats.

11 5. The auditor shall express an opinion on the financial statements of all funds
12 covered in the scope of the audit. If the auditor is unable to express an unqualified
13 opinion, the auditor shall state fully the reasons for qualification or disclaimer of opinion.
14 The school district shall correct any deficiency which results in a qualification or
15 disclaimer of opinion.

16 (b) Independence. The auditor shall maintain independence with respect to the
17 financial statements and the opinion.

18 (c) Timing, Location and Conduct of Audit Work. 1. The school district shall be
19 responsible for the proper recording of transactions in the books of account, for the
20 safeguarding of assets, and for the substantial accuracy of the financial statements. The
21 school district officers shall close and balance all accounts and have the financial
22 statements for all funds and account groups prepared prior to examination by the auditor.

23 2. The audit shall be conducted on school district premises.

24 3. The auditor shall observe the adequacy of the systems of internal control for all
25 funds of the school district, including those concerned with maintaining compliance with
26 legal provisions related to finance. If material weaknesses are noted, the auditor shall

1 review appropriate recommendations with the appropriate administrator and shall include
2 them in a separate letter to the school board.

3 4. The auditor shall retain the audit workpapers and reports for at least three
4 years from the date of the audit report, unless the auditor is notified in writing by the
5 department or by the United States department of education to extend the retention
6 period. The auditor shall respond directly to inquiries from the department or from the
7 United States department of education, and permit these agencies, upon written request,
8 to review audit workpapers. The auditor shall notify the school board of any such
9 inquiries or requests and of the auditor's response.

10 (d) Reports. The auditor shall submit to the school board the following reports and
11 shall supply copies for transmittal to the department and other agencies as may be
12 required under applicable statutes or rules:

13 1. Report on examination of the school district's combined general purpose
14 financial statements as of June 30 of the fiscal year, with supplemental information as
15 required by the department or requested by the district.

16 2. Financial audit statement for the fiscal year.

17 3. Management letter, commenting on material weaknesses in internal control and
18 identifying possible noncompliance with any legal provisions related to finance with
19 appropriate recommendations.

20 4. Federal program audit statement.

21 5. Federal program audit reports and schedules, as appropriate.

22 6. State program audit reports and schedules, as appropriate.

23 7. Membership audit report, if required by the department under s. 115.28(18),

24 Stats.

NOTE: The following forms are available at no charge from the Department of
Public Instruction, Division for School Financial Resources and Management
Services, P.O. Box 7841, Madison, WI 53707:
PI 1506 Financial Audit Statement
PI 1507 Federal Program Audit Statement

1 (3) STANDARD SCHOOL DISTRICT AUDIT CONTRACT. The school board may
2 utilize the standard school district audit contract format prescribed by the department in
3 the appendix to this chapter. If the school board does not utilize the format prescribed by
4 the department, it shall ensure that the contract contains all of the provisions in sub. (2)
5 and all of the following provisions:

6 (a) It shall specify the compensation agreed upon between the school board and the
7 auditor including an estimate as to the total cost of the audit provided by the auditor.

8 (b) It shall specify terms of payment.

9 (c) It shall be signed by both of the following:

10 1. A school district officer who is authorized by the school board to enter into a
11 contractual agreement.

12 2. The owner or partner of the audit firm.

13 (4) NONCOMPLIANCE WITH THE MINIMUM STANDARDS FOR AUDIT. Any audit
14 which the department determines is not in compliance with this section shall be referred
15 to the school district for corrective action.

NOTE: The Wisconsin School District Audit Guide may be obtained from the Wisconsin Institute of Certified Public Accountants, 180 North Executive Drive, Brookfield, WI 53005.

Audits of State and Local Governmental Units may be obtained from the American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036-8775.

Governmental Accounting and Financial Reporting Standards may be obtained from the Governmental Accounting Standards Board of the Financial Accounting Foundation, High Ridge Park, Stamford, CT 06905-0821.

The Wisconsin School District Audit Manual may be obtained from the Department of Public Instruction, 125 South Webster Street, P.O. Box 7841, Madison, WI 53707.

Standards for Audits of Governmental Organizations, Programs, Activities and Function by the Comptroller General of the United States may be obtained from Superintendent of Documents, Public Documents Department, U.S. Government Printing Office, Washington, D.C. 20402.

All of the above publications are available for examination at the Department of Public Instruction, Division for School Financial Resources and Management Services, 125 South Webster Street, Madison, Wisconsin.

1 SECTION 2. An appendix to ch. PI 14 is created to read:

2 APPENDIX

3 STANDARD SCHOOL DISTRICT AUDIT CONTRACT

4 This agreement is entered into this _____ day of _____,
5 19 ____, between _____ (school board
6 on behalf of named school district) hereafter referred to as the district, and
7 _____ (name of auditor), hereafter referred to as the auditor. The
8 parties agree as follows:

9 AUDIT SCOPE

10 The auditor shall conduct an examination of the combined general purpose financial
11 statements, including all funds and account groups of the district as of, and for the year
12 ended June 30, 19 ____.

13 The auditor's examination shall be made in accordance with the following:

14 (a) Generally accepted auditing standards. The procedures necessary to comply
15 with the generally accepted auditing standards, for purposes of this contract, include the
16 applicable procedures outlined by the Wisconsin Institute of Certified Public Accountants,
17 in the WISCONSIN SCHOOL DISTRICT AUDIT GUIDE; by the American Institute of
18 Certified Public Accountants in the Industry Audit Guide, AUDITS OF STATE AND
19 LOCAL GOVERNMENTAL UNITS; and by the Department of Public Instruction in the
20 WISCONSIN SCHOOL DISTRICT AUDIT MANUAL.

21 (b) The standards for financial and compliance audits contained in the
22 STANDARDS FOR AUDITS OF GOVERNMENTAL ORGANIZATIONS, PROGRAMS,
23 ACTIVITIES, AND FUNCTIONS, issued by the Comptroller General of the United States;

24 (c) The provisions of the United States Office of Management and Budget, Circular
25 A-128, AUDITS OF STATE AND LOCAL GOVERNMENT, issued pursuant to the Single
26 Audit Act of 1984.

1 shall be reviewed with the appropriate administrator and then included in a separate
2 letter to the district's school board.

3 Audit workpapers and reports shall be retained for a minimum of three years from
4 the date of the audit report, unless the auditor is notified in writing by the Department of
5 Public Instruction and the United States Department of Education to extend the retention
6 period. The district authorizes the auditor to respond directly to inquiries from the
7 Department of Public Instruction or the United States Department of Education, including
8 requests to review audit workpapers. The auditor shall notify the school board of any such
9 inquiries or requests and of the auditor's reply thereto.

10 REPORTS

11 The auditor shall submit to the district's school board the following reports, with
12 copies of each for transmittal to the Department of Public Instruction and other agencies
13 as required:

14 (a) Report on examination of the district's combined general purpose financial
15 statements, as of, and for the year ended June 30, 19____, with supplemental
16 information as required by the Department of Public Instruction or requested by the
17 district.

18 (b) Financial audit statement for the year ended June 30, 19____, as required by
19 the Department of Public Instruction.

20 (c) Management letter, commenting on material weaknesses in internal control and
21 identifying possible noncompliance with finance-related legal provisions with appropriate
22 recommendations.

23 (d) Federal program audit statement as required by the Department of Public
24 Instruction.

25 (e) Federal program audit reports and schedules, as required.

26 (f) State program audit reports and schedules, as required.

1 (g) Membership audit report, as required by the Department of Public Instruction.

2 (h) Other (specify): _____

3 _____
4 (i) Other (specify): _____
5 _____

6 **COMPENSATION AND TERMS OF PAYMENT**

7 Fees shall be based on the time required by the individuals assigned by the auditor
8 plus direct expenses. Individual hourly rates vary according to the degree of responsibility
9 involved and the skill required. (NOTE: Other payment terms may be agreed upon in the
10 contract. This is provided as an example.)

11 _____, certified public accountant, is the
12 owner or partner in charge of all work performed and is responsible for all aspects of this
13 engagement.

14 The auditor estimates the fee for this examination and above-listed reports will
15 range from \$ _____ to \$ _____. Should unforeseen difficulties be encountered
16 during the examination which would require additional work by the auditor, an estimate of
17 the cost of such additional work shall be brought to the board's attention prior to the
18 performance of the additional work.

1 The auditor may submit bills as work progresses and as expenses are incurred.

2 _____
Contracting District Officer

3 Typed Name and Title Signature
Contracting District Officer

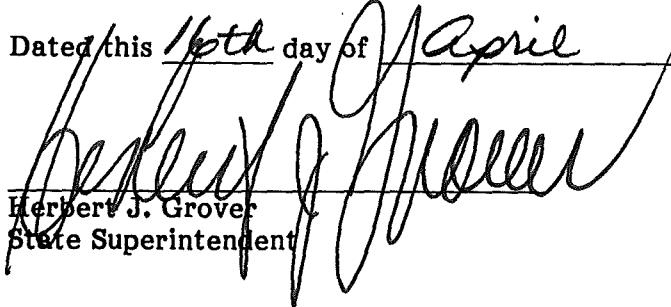
4 Typed Name and Title Signature
Audit Firm

5 Typed Name and Title Signature
Partner (Owner)

6 Typed Name and Title Signature

The rules contained in this order shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in s. 227.22(2)(intro.), Stats., as recreated by 1985 Wisconsin Act 182.

Dated this 16th day of April, 1987



Herbert J. Grover
State Superintendent

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