

AUDITING

405.00. INTRODUCTION : AUDITING

County boards of education are increasingly subject to audits by state and federal agencies. Code §6-9-7 requires the state tax commissioner to perform regular audits of all county board financial affairs. These examinations are to be made at least annually, if practicable. In several instances, the tax commissioner contracts these audits to private accounting firms, but most school board audits are performed by the commissioner's field auditors.

The state department of education is authorized by Code §18-9B-13 to inspect, examine and audit the fiscal administration of a county school district. Its audits are "special" audits, not intended to be duplicative of fiscal matters already examined by the tax commissioner. On the federal level, government accounting office personnel are frequently assigned to audit aspects of federal educational programs on the county and state levels.

Additionally, the county boards themselves are involved in individual school accounting examinations. In addition to the required school financial reports, all school accounts must be audited at least annually. The Manual of Financial Records for Individual Schools provides step-by-step requirements for these examinations.

405.01. BENEFITS OF AUDITS

One fundamental tenet of democratic societies holds that governments and agencies entrusted with public funds have a responsibility to render a full accounting of their activities. This concept of governmental accountability, demonstrated in auditing, can be helpful to the county board in two ways:

- a. It can demonstrate to the public the integrity and financial soundness of the school system and
- b. It can result in helpful suggestions for improving the board's performance in seeking economy, efficiency and achievement in its educational endeavors.

405.02. DOCUMENTS NEEDED

The auditor should be provided with all records and reports pertaining to the school system in the fiscal period that the audit covers and given all information required and requested. Documents needed for an audit will normally include:

- Approved annual budget
- Approved levy estimate
- Approved budget revisions
- Annual financial statements, including
 - Encumbrance schedules
 - Earmarked funds schedules and
 - Funds receivable schedules
- Enrollment and attendance reports
- Personnel records
 - Certification
 - Years of experience
- Inventory schedules
- Insurance policies and schedules
- Purchase orders and invoices
- Individual payroll records
- Organization chart
- Employee job descriptions
- Board minutes
- Audit reports of individual school accounts
- Investment schedules
- Free and reduced meal data
- Employee expense accounts
- Canceled bonds
- Receipts ledger

By having these resource records and documents readily available for the auditors, the county can substantially reduce the costs of those audits, since the services billed are often based on the number of hours worked.

405.03.THE AUDIT PROCESS

At the beginning of the audit, the auditing team should meet with the superintendent, the chief financial officer and other county staff members concerned. At this entrance interview, the auditors will explain the scope of the audit, the time period that the audit will cover, the documents needed, interviews to be performed and some estimate of the on-site time that will be required. The county superintendent should ask the auditors to examine in depth any fiscal feature that the superintendent feels may need improvement.

As the on-site portion of the audit proceeds, county staff should check to discover any additional needs of the auditors for information or documentation.

At the conclusion of the on-site portion of the audit, the superintendent and staff normally will meet with the auditing team to discuss preliminary findings and recommendations. The exit interview meeting should include the superintendent, the chief financial officer and other concerned staff members. Board of education members may also wish to

attend. The superintendent and the staff should consider carefully any problems and suggestions for improvement, making sure that staff and the auditors fully understand the audit results and what the audit report will state. Auditors should make constructive suggestions on alternative steps that might be taken to improve the board's financial management.

After the "exit interview," the county board of education will receive a written audit report, which is a public document. Each audit finding and recommendation must be separately considered and responded to in writing, detailing steps to be taken to correct the situation. If the superintendent or board disagree with any audit findings or recommendations, it is often possible to reach agreement administratively or to appeal any feature of the audit report to the auditing agent.

Governmental audits which have been professionally performed will prove to be assets, not problems, for county boards of education.