

**CENTRAL FALLS SCHOOL DISTRICT
REQUEST FOR PROPOSAL
AUDITING SERVICES
(Due Date: March 30, 2023)**

The Central Falls School District (District) is inviting proposals to perform an annual audit of the District's financial statements for the fiscal years ending June 30, 2023, 2024 and 2025. The scope of work shall also include an Agreed-Upon Procedures Engagement related to compliance with the State of Rhode Island's Uniform Chart of Accounts (UCOA) requirements.

The District's purpose is to provide both elementary and secondary education for the residents of the City of Central Falls.

The District is a component unit of the State of Rhode Island. As a result of the enactment of Chapter 312 of Rhode Island Public Laws of 1991, the State of Rhode Island assumed responsibility for the administration and operational funding of the Central Falls School District effective July 1, 1991. In June 2002, Chapter 16-2 of the Rhode Island General Laws established a seven member Board of Trustees, who govern the Central Falls School District and have the powers and duties of School Committees.

The District expends federal awards, and as a component unit of the State, is included in the State's Single Audit Report. Most of the federal awards expended by the District are pass-through awards from the State of Rhode Island. It is unlikely that the District's expenditures for any single federal award (direct or pass-through) would exceed the State's overall Type 'A' major program threshold. Accordingly, the scope of work related to federal programs and single audit requirements will likely be limited to expressing an opinion on the District's Schedule of Expenditures of Federal Awards in relation to the District's basic financial statements. The Auditor General may separately engage the successful offeror to perform selected audit procedures for certain pass-through awards by the State as part of the State's overall Single Audit – those audit services, if required, are not included in the scope of this Request for Proposal (RFP).

Additional information about the District, including the District's most recent audited financial statements, is available on the District's website <http://www.cfschools.net>.

Sealed proposals for furnishing the Central Falls School District with Auditing Services will be received in the Finance Office, 934 Dexter Street, 2F, Central Falls, RI 02863, until 12:00 PM, Thursday, March 30, 2023 at which time they will be opened publicly.

Proposals are to be placed in a sealed envelope (envelope 3), separating the offered scope of services (envelope 1) from the price proposal (envelope) 2 and clearly marked "Auditing Services" addressed to the Finance Office at the above address.

Central Falls School District reserves the right to accept or reject without prejudice, any or all proposals or to waive any irregularities therein, or to accept the offer deemed to be in the best interest of the District.

Proposals received after the time and date specified above will not be considered and will be filed unopened.

Specifications for Audit Services

Due Dates for Completion of Audit and Delivery of Reports

1. The audit shall be completed and final audit reports (inclusive of all audit communications) related to the financial statements must be delivered to the Central Falls School District, Department of Administration – Office of Accounts and Control, and the Office of the Auditor General by **September 30** of each year (as required by Section 35-6-37 of the General Laws).

Failure to comply with the statutory submission date may result in termination of a firm's audit engagement.

Compliance with due dates for submission of the final audit report requires anticipation of and allowance for (1) sufficient review time by the Office of Accounts and Control and the Office of the Auditor General of draft audit reports and other audit communications; and (2) sufficient review time and acceptance by the board of trustees.

Draft reports shall be provided to the Office of Accounts and Control and the Office of the Auditor General not less than 7 days prior to the required final audit completion and submission date. Draft reports and other communications submitted for review to the Office of Accounts and Control and the Office of the Auditor General shall have undergone review by the firm's internal quality control review process prior to submission.

Submission of audit reports and communications in electronic form is preferred.

2. If applicable, the additional audit reports relating to federal awards and required by the federal Single Audit Act and OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements) shall be submitted no later than **November 30** of each year.

Qualifications of Auditor

1. The firm selected for the audit shall be a firm of certified public accountants holding a valid license in the State of Rhode Island or from another state having equal professional standards.
2. The senior accountant in charge of the fieldwork shall be a certified public accountant.
3. The audit firm and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits shall meet the continuing educational requirements of *Government Auditing Standards* issued by the Comptroller General of the United States.
4. The audit firm shall have an appropriate internal quality control system in place and participate in an external quality control review program as required by *Government Auditing Standards*.
5. The audit firm shall provide a copy of their most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract to the quasi-public entity, the Auditor General and the Director of Administration.
6. The audit firm shall have at the time of proposal, and throughout the period of engagement, professional liability insurance coverage of not less than \$1 million.

Process to Evaluate Audit Proposals

An evaluation committee will be formed comprised of individuals knowledgeable about auditing and financial reporting matters to evaluate the audit firms submitting proposals. Proposals will be evaluated using the following scoring weights resulting in a maximum score of 100 points:

	Maximum points
Overall qualifications and experience of the firm and the specific engagement personnel to be assigned focusing on experiences with governmental entities and the specific line of business or services provided by the entity to be audited.	40
Overall audit approach and audit strategy described/outlined in the proposal and firm capacity to perform the engagement within the specified timeframe (prior experience of the firm in meeting timelines should be factored in here)	30
Audit fees - See formula for points awarded for audit fees (*)	30
Maximum evaluation points	100

* Evaluation technique – audit fees

Audit fee score = (lowest offer/offer for firm being evaluated) X 30 points

Example: Assuming 3 offers received were: (firm A) - \$40,000, (firm B) - \$46,000, (firm C) - \$50,000

Firm A (the lowest offeror)	awarded 30 points	$\$40,000/\$40,000 \times 30 \text{ points} = 30$
Firm B	awarded 26 points	$\$40,000/\$46,000 \times 30 \text{ points} = 26$
Firm C	awarded 24 points	$\$40,000/\$50,000 \times 30 \text{ points} = 24$

An evaluation grid will be prepared summarizing the scoring by each member of the evaluation committee and the composite ranking, which supports the agency’s request for approval of the selected audit firm. If any firm is disqualified and therefore not evaluated, the reason for such action shall be documented.

Audit Contract

- The audit firm shall not be engaged for a period of more than six consecutive years, however, audit firms can submit proposals and will be considered beyond this period provided those firms specifically include within their proposal, safeguards to ensure auditor independence on the engagement due to the length of auditor involvement (i.e. rotation of audit management or other quality control measures). The engagement of auditors for more than six consecutive years can also be made when deemed appropriate and/or necessary and when approved jointly by the Auditor General and the Office of Accounts & Control.
- The proposal shall specify an audit fee for each year. The audit fee for the financial statement audit and supplementary schedule of expenditures of federal awards shall be inclusive of all expenses. The proposal shall also specify a fee to conduct the UCOA Agreed-Upon Procedures Engagement each year as described in Appendix A.

Audit Standards

- The audit shall be conducted in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants.

2. The audit shall also be conducted in accordance with the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.
3. For the single audit the standards contained in the amended (July 1996) Single Audit Act of 1984 and the provisions of OMB Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements, must also be followed.

Audit Scope

1. The scope of the audit shall include :

Basic Financial Statements:

Government-wide Financial Statements:

- Statement of Net Position
- Statement of Activities

Fund Financial Statements:

Governmental Funds:

- Balance Sheet - Governmental Fund
- Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
- Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds
- Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Fiduciary Funds:

- Statement of Fiduciary Net Position

Notes to Financial Statements

Required Supplementary Information:

- Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - Unrestricted Fund
- Schedule of Changes in the District's Total OPEB Liability and Related Ratios
- Schedule of Changes in Net Pension (Asset) Liability and Related Ratios - Municipal Employees' Retirement System
- Schedule of Contributions - Municipal Employees' Retirement System
- Schedule of Proportionate Share of the Net Pension Liability - Employees' Retirement System
- Schedule of Contributions - Employees' Retirement System
- Schedule of Proportionate Share of the Net Pension Asset - Teachers' Survivor Benefit Plan
- Schedule of Contributions - Teachers' Survivor Benefit Plan

Supplementary Information

Nonmajor Governmental Funds Financial Statements:

- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Schedule of Net Position - Required by State of Rhode Island
- Schedule of Activities - Required by State of Rhode Island
- Schedule of Changes in Long-Term Debt - Required by State of Rhode Island
- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards

Note (1) A detailed schedule of travel and entertainment expenses shall be included as supplementary information in the financial statements. All expenditures of \$200 or greater shall be itemized and a total shown for all expenditures less than \$200. Chapter 35-7-14 of the General Laws of the State of Rhode Island requires the agency to prepare and maintain documentation for all travel and entertainment in sufficient detail to allow for post audit.

Note (2) - the following defines federal awards for these purposes:

Single Audit Act (July 1996) - Section 7501 - Definitions:

“Federal awards” means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities.

“Federal financial assistance” means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, or other assistance, but does not include amounts received as reimbursement for services rendered to individuals in accordance with guidance issued by the Director (Director of the (federal) Office of Management and Budget).

2. Major Federal Programs – (as defined in OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements):

The auditors shall audit major programs as required by OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements and express an opinion on compliance for each major program.

The District expends federal awards, and as a component unit of the State, is included in the State’s Single Audit Report. Most of the federal awards expended by the District are pass-through awards from the State of Rhode Island. It is unlikely that the District’s expenditures for any single federal award (direct or pass-through) would exceed the State’s overall Type ‘A’ major program threshold. Accordingly, the scope of work related to federal programs and single audit requirements will likely be limited to expressing an opinion on the District’s Schedule of Expenditures of Federal Awards in relation to the District’s basic financial statements. The Auditor General may separately engage the successful offeror to perform selected audit procedures for certain pass-through awards by the State as part of the State’s overall Single Audit – those audit services, if required, are not included in the scope of this request for proposal.

Major programs shall be determined in accordance with guidance provided in OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.

As a component unit of the State, the entity’s expenditures of federal awards will be combined with all other expenditures of federal awards for the State reporting entity for the purpose of determining the Type A program threshold. The following procedures should be followed when the entity is a component unit of the State reporting entity and will be included in the State’s Single Audit Report.

Identify Type “A” Programs

Type “A” programs will be determined using the State reporting entity’s total expenditures of federal awards. Accordingly, an estimate of total federal awards expended by the State of Rhode Island for the fiscal year will be provided by the Office of the Auditor General to the agency under audit and its auditors.

Risk Assessment

In accordance with criteria outlined in OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements, perform a risk assessment of Type “A” programs identified above to determine if they can be considered low-risk. Consider all Type “A” programs not qualifying for a low-risk assessment to be major programs and perform required audit procedures as outlined in the OMB Circular.

The auditor should seek approval from the Auditor General’s Office before declaring any Type “A” program to be low risk.

No risk assessment shall be performed for programs which are less than the Type “A” dollar threshold unless specifically requested by the Office of the Auditor General.

3. Uniform Chart of Accounts (UCOA) Compliance Requirements

The auditors engaged to perform the annual audit of the District shall also be engaged to report on their tests of compliance with the School UCOA requirements in an agreed-upon procedures compliance attestation format.

NATURE OF AGREED-UPON PROCEDURES SERVICES REQUIRED:

The District is required to follow the Uniform Chart of Accounts as promulgated by the Auditor General and Commissioner of Education in accordance with Rhode Island General Laws 16-2-9.4. Each municipal school district, regional school district, collaborative, or charter school, which is required to adopt the UCOA, shall have additional compliance testing procedures designed to assess compliance with UCOA requirements and the entity’s effectiveness of internal control over compliance with those requirements.

See **Appendix A** for the agreed-upon procedures. Please note that the agreed-upon procedures may be subject to subsequent modification.

The agreed-upon procedures report along with the audited financial statements shall be submitted to the Rhode Island Department of Education and the Office of the Auditor General at the conclusion of the annual audit or the revised timeline established by the Rhode Island Department of Education and the Office of the Auditor General.

The dollar cost offer should specifically identify the fee for the audit services and the fee for the agreed-upon procedures.

Audit Reports

1. **Draft copies of all audit report(s) and other audit communications** shall be submitted to:

(1) The Superintendent, Chief Financial Officer, and members of the Board of Trustees, and

(2) Office of the Auditor General and the Department of Administration - Office of Accounts and Control prior to completion and issuance and in advance of the required due date (September 30) to allow sufficient time for review and comment. **Draft reports shall be provided to the Office of Accounts and Control and the Office of the Auditor General not less than 7 days prior to the required final audit completion and submission date.** Draft reports and other communications submitted for review to the Office of Accounts and Control and the Office of the Auditor General shall have undergone review by the firm’s internal quality control review process prior to submission.

Final audit reports (inclusive of all audit communications) related to the financial statements must be delivered to the Central Falls School District, Department of Administration – Office of Accounts and Control, and the Office of the Auditor General by **September 30** of each year (as required by Section 35-6-37 of the General Laws).

Compliance with due dates for submission of the final audit report requires anticipation of and allowance for (1) sufficient review time by the Office of Accounts and Control and Office of the Auditor General of draft audit reports and other audit communications; and (2) sufficient review time and acceptance by the Board of Trustees.

Failure to comply with the statutory submission date may result in termination of a firm’s audit engagement.

2. Reports to be submitted will include:

a. Reports on:

- (1) basic financial statements, (as specified in the Audit Scope section) based on an audit performed in accordance with generally accepted auditing standards and *Government Auditing Standards*.
- (2) supplementary financial statements, schedules and information (including the State required format supplementary schedules to be submitted to the Office of Accounts and Control for component units).
- (3) internal control over financial reporting and on compliance based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

b. Reports required under trust agreements, loan agreements, etc. if any.

c. Reports and summaries related to federal financial assistance (as appropriate in the circumstances) as required by OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.

Note: Auditors should not prepare the Federal Data Collection Form referenced in Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements when the audited entity is a component unit of the State for financial reporting purposes. This form will be prepared by the Office of the Auditor General for the State reporting entity.

d. Other reports requested by the agency and/or the Department of Administration - Office of Accounts and Control and/or the Office of the Auditor General or as required by the applicable section of the General Laws.

e. Reports resulting from the UCOA Agreed-Upon Procedures Examination

Management Letter

1. A management letter shall be submitted upon completion of the audit to the Superintendent, Chief Financial Officer, and Board of Trustees, with copies to the Department of Administration – Office of Accounts and Control and the Office of the Auditor General.
2. The management letter should include comments, and/or recommendations beyond those included in the reports described above, on such matters as:

- a. policies, procedures, and practices employed by the agency.
- b. immaterial weaknesses in the internal controls that are not "significant deficiencies."
- c. use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner.
- d. compliance with state laws pertaining to the agency and with rules and regulations established by the agency.

SPECIFIC INFORMATION TO BE REQUIRED OF THE PROPOSER

Offeror's technical qualifications and other information - the proposer shall, at a minimum, describe, and/ or provide the following:

- a. Experience with governmental audit engagements and entities similar to the entity,
- b. Firm organization and leadership team and professional staff resources,
- c. Engagement staff qualifications and experience,
- d. Understanding of work to be performed, including planned audit procedures, process to gain an understanding of internal control sufficient to plan the audit, estimated hours and other pertinent information,
- e. Understanding regarding data to be provided and completed by entity that is needed for the audit,
- f. Project management approach and procedures the proposing firm will employ to ensure compliance with final audit completion delivery dates,
- g. Identification of any sub-contractors, co-proposers, or other entity that will be used to provide the professional services sought by the request for proposal.
- h. Audit client references that may be contacted regarding professional services provided previously.
- i. Proof of professional liability insurance coverage in effect in an amount not less than \$1 million.
- j. A listing or description of other professional services provided by the proposer to the State of Rhode Island (primary government) or any other component unit.

Representations – the following representations shall be provided as part of the proposal:

- k. a written representation that the auditor is independent under the requirements of the American Institute of Certified Public Accountants and *Government Auditing Standards*.
- l. a written representation that the auditor of a quasi-public entity meets the continuing educational requirements of *Government Auditing Standards*.
- m. a written representation that the auditor has an appropriate internal quality control system in place and has participated in an external quality control review program as required by *Government Auditing Standards*. The firm will provide the entity requesting auditing services and the Auditor General with a copy of the firm's most recent external quality control review report and any subsequent reports received during the term of the contract, if awarded.

- n. a written representation that the auditor is familiar with generally accepted accounting principles for state and local government units as prescribed by the Governmental Accounting Standards Board and with the generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants; *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act of 1984 as amended in July 1996 and the provisions of OMB Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements and will conduct the audit and will report in accordance with those standards.
- o. a written representation that any sub-contractors, co-proposers, or any other entity providing professional services under the engagement will be subject to, and will have met, all the same applicable requirements as the proposer.
- p. a written representation that in accordance with Chapter 27 of Title 17 of the Rhode Island General Laws, the auditor has filed, or will file upon execution of this contract if required, an affidavit with the State Board of Elections concerning reportable political contributions.
- q. a certification that no Rhode Island “Major State decision-maker”, or spouse or dependent child of such person as defined in RIGL § 42-6-1 holds either a ten percent or greater equity interest or a five thousand dollar or greater cash interest in the business.

Coordination Between the Auditor of the Agency and the Office of the Auditor General and Department of Administration – Office of Accounts and Control

- The auditor shall invite the attendance of the Auditor General at entrance, exit, and other conferences between the private auditor and the agency.
- The auditor shall submit ALL "draft" copies of the audit report(s) and other audit communications not less than 7 days prior to the scheduled delivery date for the final audit report. Draft reports and other communications submitted for review to the Office of Accounts and Control and the Office of the Auditor General shall have undergone review by the firm’s internal quality control review process prior to submission.
- The auditor shall promptly notify the Auditor General and the Office of Accounts and Control if the auditor becomes aware of fraud, abuse, or illegal acts or indications of such acts affecting the agency.
- The auditor shall promptly notify the Auditor General and the Office of Accounts and Control if the auditor encounters any significant accounting and/or auditing problems, or any situations that would delay completion of the audit.
- Audit work papers of the auditors shall be made available upon request of the Office of Accounts and Control and/or the Auditor General for their review, at the completion of the agency audit.

The Office of Rhode Island Auditor General, in serving as the Group Auditor for the audit of the State of Rhode Island’s (State’s) financial statements will provide the communication in **Appendix 4** of the Audit RFP Specifications posted on the Auditor General’s web site to each component auditor annually in conjunction with their component audit. This communication will include certain required representations that each component auditor must provide to the Auditor General as their documented understanding of their requirements as component auditors within the group audit of the State’s financial statements. This communication also provides certain information regarding the State’s financial reporting entity and established planning materiality levels for the various opinion units represented within the audit of the State’s financial statements. Component auditors will also be required to submit letters of understanding (engagement letters), materiality levels, management representation letters (with corresponding schedules of unbooked adjustments), and communications with those charged with governance as required by generally accepted auditing standards in accordance with their component audits.

The private auditor selected for the agency audit shall cooperate with the Auditor General, as Group Auditor, in his coordination of the Single Audit of the State. **This will include communications between the Auditor General and the private auditor regarding the determination of major federal financial assistance programs using the risk-based approach prescribed by OMB Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.**

Cost Proposal

Provide a separate detailed cost breakdown for each fiscal year for the required services requested in this Request for Proposal. This schedule should be prepared using the following format:

	FY 2023	FY 2024	FY 2025
Annual Financial Audit	\$	\$	\$
UCOA Agreed-Upon Procedures Engagement			
Total fixed fee	\$	\$	\$

APPENDIX A – UCOA AGREED-UPON PROCEDURES ENGAGEMENT

OVERVIEW:

Each municipal school district, regional school district, collaborative, or charter school, which is required to adopt the Uniform Chart of Accounts (UCOA), shall have additional compliance testing procedures designed to assess compliance with UCOA requirements and the entity's effectiveness of internal control over compliance with those requirements. The auditors engaged to perform the annual audit of the entity shall also be engaged to report on their tests of compliance with UCOA requirements in an agreed-upon procedures compliance attestation format.

A minimum sample of transactions shall be selected and tested for compliance with UCOA provisions. Additionally, selected UCOA compliance requirements shall be included within the agreed-upon procedures compliance work program.

The municipal school district, regional school district, collaborative, or charter school shall provide the agreed-upon-procedures report along with the entity's audited financial statements to the Rhode Island Department of Education and the Office of the Auditor General at the conclusion of the annual audit or not later than six months after fiscal year-end. For those school districts, regional school districts, collaboratives, or charter schools which have adopted a fiscal year end other than June 30, the agreed upon procedures report shall be provided by December 31 for the activity related to the year ended on the preceding June 30.

COMPLIANCE TESTING REQUIREMENTS:

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements – AT Section 601 – Compliance Attestation – paragraphs .01 through .29

- 1. A minimum sample of randomly selected expenditure transactions for the municipal school district, regional school district, collaborative, or charter school shall be tested for compliance with UCOA coding requirements.**

Select a sample of 35, 45, or 60 (see below) transactions from the universe of all expenditures in the final UCOA format upload file for the fiscal year as reported to the Rhode Island Department of Education (RIDE). A detailed transaction level file should be obtained from the entity's accounting system to correspond with the final UCOA upload file provided to RIDE for the preceding fiscal year. RIDE will provide a Validation Totals Report to each school district, collaborative, and charter school to confirm the final upload file information. The sample of transactions to be tested for compliance with UCOA coding shall be selected randomly from the detailed transaction file for the fiscal year.

Sample size shall be determined as follows:

- Smaller school districts, regional school districts, collaboratives, or charter schools having aggregate fiscal year expenditures of less than \$5 million shall utilize a minimum sample size of **35** transactions to be tested for UCOA coding compliance.
- School districts, regional school districts, collaborative, or charter schools, having aggregate fiscal year expenditures greater than \$5 million but less than \$50 million, shall utilize a minimum sample size of **45** transactions to be tested for UCOA coding compliance provided there are no significant deficiencies and material weaknesses in internal control over financial reporting related to the accounting and financial reporting practices as reported in the current and prior audit. School districts, regional school districts, collaboratives, or charter schools with expenditures greater than \$5 million which also have significant deficiencies and material weaknesses in internal control over financial reporting related to the accounting and financial reporting practices as reported in the current and prior audit shall utilize a minimum sample size of **60** transactions.
- School districts, regional school districts, collaboratives, or charter schools, having aggregate fiscal year expenditures greater than \$50 million, shall utilize a minimum sample size of **60** transactions to be tested for UCOA coding compliance.

Examine supporting vendor invoices, journal entries, and other supporting documentation to determine if the expenditure has been appropriately classified based upon UCOA classification requirements included in the Uniform Chart of Accounts guidance for the fiscal year. The segments of the account number to be tested for compliance shall include the following:

- Fund/Subfund
- Location
- Function
- Program
- Subject
- Object
- Job classification (for applicable personnel costs)

For personnel costs selected for testing, Location (school/department) and Job Classification shall be tested by tracing the employee to the entity's assignment roster for the applicable school year.

All noncompliance found in the sample of expenditure transactions tested for compliance with UCOA classification requirements shall be reported. Each instance of noncompliance shall describe the transaction and the specific noncompliance observed.

2. Total activity (revenue and expenditures) of the entity for the fiscal year as reported (uploaded) to the UCOA database as of the final upload date shall be reconciled to the total activity within each Fund/Subfund of the municipal school district, regional school

district, collaborative, or charter school as reported in the final audited financial statements.

Any variance in revenue or expenditures between the total amounts reported (uploaded) to the UCOA database and audited amounts reported within the Fund/Subfund of the municipal school district, regional school district, collaborative, or charter school shall be reported. For UCOA reporting purposes, transfers between funds on a GAAP basis (e.g., transfer of appropriations from the municipality's general fund to the unrestricted school fund) are treated as revenues in the unrestricted school fund.

Note: When variances are reported between the UCOA upload file and the audited financial statements, the entity may be required to amend its UCOA upload file to include final amounts, which reflect audit adjustments.

- 3. Costs for debt service and lease and rental of buildings must be recorded consistent with specific UCOA requirements. Amounts charged to Function 421 should be reconciled to the sum of expenditures considered debt service for financial reporting purposes and annual or longer-term leases for rental of the main school facility (or facilities if the school has more than one location). Short-term leases should not be included in Function 421.**

UCOA Rules to be Tested:

- ❖ *Debt Service related to buildings or building and land leases is included in Function 421 (Debt Service); these are **not** charged to Function 321 (Building Upkeep, Utilities, and Maintenance).*
- ❖ *Expenditures for rental of the main facility (or facilities if the school has more than one location) must be charged to Function 421 (Debt Service). This provides a level of comparability between those that rent facilities and those that own them.*
- ❖ *Annual or Longer term Leases must be charged to Function 421 (Debt Service). Short-term leases and rentals should be charged to Function 321 (Building Upkeep, Utilities, and Maintenance).*
- ❖ *Short-term or revolving credit debt is included in Function 332 (Business Operations); these are **not** charged to Function 421 (Debt Service).*

- 4. Payroll costs are subject to various UCOA coding requirements. Determine if the entity's procedures for payroll related costs support the following UCOA requirements:**
 - **Benefit costs are charged in the same manner as direct wages – e.g., to the same Fund/Subfund, Location, Function, Program, Subject, and Job Classification and in the same proportion when allocated to more than one Fund/Subfund. Healthcare benefit costs are allocated consistent with the employees' wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.**

- **The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)**
- **Wages for Short-term substitute teachers are charged to Subject 0000. Wages for short-term substitute teacher support personnel and long-term substitute teachers should follow the Location, Program, and Subject accounts as used with the employees whom they are replacing.**

Determine whether the entity’s payroll system directly interfaces with the entity’s general ledger accounting system and whether it is designed to post directly to the appropriate UCOA account or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA account. Determine if the entity has reasonable and sufficient procedures in place to meet the payroll and related benefit requirements of the UCOA.

Review one payroll period posting to assess compliance with UCOA payroll allocation requirements (this may be satisfied through payroll transactions tested in the sample of transactions tested for compliance in compliance testing requirement No. 1).

If the entity is using the intra-fund UCOA allocation tool, allocations are performed within the UCOA database and therefore testing is not required for benefit allocations made within that Fund/Subfund.

UCOA Rules to be Tested:

- ❖ *In all cases, compensation costs and related benefit costs for each employee must be accounted for in the same Fund/Subfund – they may not cross Funds. Districts may NOT account for the compensation in one Fund/Subfund and the benefits in another. For example, if 50% of an individual’s salary is charged to the General Fund and 50% to a Special Revenue Fund, then the allocations of Benefits MUST follow the exact same percentages. When related to a particular grant, if the grant is insufficient to cover all the costs, the same prorated amount for each category (compensation and benefits) shall be used up to the limit of the grant.*
- ❖ *Allocation to the Function segment for Salary and Benefits for employees that perform multiple functions are to be recorded using the following guidelines. If an employee has a “Hands-On” relationship to the multiple activities being performed and performance of those duties requires a minimum of 20% of their time, those costs must be charged to the appropriate Function accounts accordingly. If however, the role is more of an oversight role of supervising or managing others who perform the “Hands-On” work, then no charges must be made for these activities, even if the amount of time expended exceeds 20% of the employee’s time.*
- ❖ *For Department Heads, House Leaders, and System-wide Supervisors, that portion of regular salary for teaching periods is charged to object 51110*

(Regular Salaries); for non-teaching periods, that prorated portion is charged to Object 51132 (Department Heads, House Leaders, and System-wide Supervisors). Stipends for these positions are to be charged to Object 51401 (Stipend – Other).

- ❖ *For Nurse Teachers, even if face-to-face teaching occurs, charge to Function 216 (Student Health Services – Medical), not Function 111 (Instructional Teachers).*
- ❖ *Nurses and other non-standard instructors included in Function 216 (Student Health Services – Medical) who teach classes representing less than 10% of their time must code instruction time to Subject 2500 (Non-Instruction) unless the application of the rule would violate a rule or rules of a higher authority – refer to the Account Level Use Rules and Requirements for the precedence order of UCOA Rules. Those that teach more than 10% of their time must record instruction time to Subject 0000 (General Education).*
- ❖ *Wages for Short-term substitute teachers (Job Classifications 1295-1299) in Object 51115 (Salaries – Substitutes) when used with Function 112 (Substitute Teachers) is charged to Subject 0000. With Functions 221 and 222, use the appropriate Subject that is assigned to the Teacher for which the Substitute has been engaged to replace. Wages for Long-term substitute teachers (Job Classification 1294) should follow the Location, Program, and Subject accounts as used with the teacher whom they are replacing.*

5. Professional Development costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting Professional Development costs for three of the five Object accounts:

- **Object 51113 represents the portion of a teacher’s regular salary, as specified in a contract or agreement, for professional days.**
- **Object 51302 represents additional payments made to a teacher for after-hours school-based professional development.**
- **Object 53301 represents third-party vendor costs (on-site or off-site) for providing professional development. For instruction-related personnel, the professional development costs should be posted to Function 222. For all other personnel, the professional development costs should be posted to the same Function account as the base wages.**

A review of union contracts and the adopted budget will provide information related to professional development to be offered to teachers.

Review payroll records to verify compliance with UCOA rules for Objects 51113 and 51302. (This may be satisfied by testing one payroll record which includes postings to both Object accounts and which may have been selected in compliance testing requirement 1 or 4).

Select a sample size of 5 transactions posted to Object 53301 (If less than 5 total transactions, sample all transactions). Examine the supporting vendor invoice to identify the specific

employee(s) receiving professional development services and trace the employee name to the payroll record to determine the Function account to which base wages (Object 51113) were charged. Verify the professional development costs were posted to the proper Function account based on the UCOA rules for the Function series. (Expenditures selected in Compliance Testing Requirement No. 1 may be also used to satisfy this compliance-testing requirement.)

UCOA Rules to be Tested:

DEFINITION: Object 51113 - Professional Days. Full-time, part-time, and prorated portions of the costs for professional development days for employees of the District.

- ❖ *Include in **Object 51113** (Professional Days) the amount prorated from Object 51110 (Regular Salaries) the actual number of days included in applicable contracts and agreements relating to Professional Days or Professional Development or prorated based on the anticipated number of days if not specified in the contracts.*
- ❖ *For **Object 51113**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series. For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series. Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used. For each employee, use the same Location, Program, Subject, and Job Classification account number as is used with Object 51110 (Regular Salaries).*

DEFINITION: Object 51302 – Professional Development - School. Amounts paid to District employees (in addition to regular salaries) for professional development that is related to School-based (and budgeted at the School level) professional development.

- ❖ ***Object 51302** (Professional Development – School) - only that Professional Development that is paid on an hourly basis.*
- ❖ *For **Object 51302**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series. For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series. Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used. For employees whose Function account is in the 100 or 200 series, 511, or 512, as used with Object 51110 (Regular Salaries), use the specific Subject account for the subject they have received Professional Development known as the "Follow the Topic" concept. If not Subject-specific, for General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500. For employees whose Function account is in the 300 or 400 series, 521, 531, or 532, as used with Object 51110 (Regular Salaries), use Subject 2500 **only**.*

DEFINITION: Object 53301 – Purchased Professional Development and Training Services. Services supporting the professional development and training of District personnel, including instructional and administrative employees.

❖ For **Object 53301**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series. For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series. Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used. Use the specific Subject account for the Subject to which Professional Development Services are rendered ("Follow the Topic"). For General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500.

COMPLIANCE REPORTING REQUIREMENTS

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements – AT Section 601 – Compliance Attestation – paragraphs .01 through .29

The auditor shall provide a written report in accordance with the applicable sections of the Statements on Standards for Attestation Engagements as highlighted above.

Additionally, any noncompliance with UCOA requirements and the effectiveness of the entity's internal control over compliance with UCOA requirements should be considered in drafting the Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

Management comments provided to the entity should be inclusive of any recommendations to improve compliance or controls over compliance with UCOA requirements.

A sample report follows:

Independent Accountant's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated in Exhibit 1, which were agreed to by the Rhode Island Department of Education (RIDE), solely to assist RIDE in evaluating the (entity's) compliance with the Uniform Chart of Accounts during the fiscal year ended June 30, 20xx and the effectiveness of the (entity's) internal control over compliance with the aforementioned compliance requirements as of June 30, 20xx. Management is responsible for the (entity's) compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Rhode Island Department of Education, the *Entity*, and the Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

EXHIBIT 1

REQUIREMENT 1:

A minimum sample of randomly selected expenditure transactions for the municipal school district, regional school district, collaborative, or charter school shall be tested for compliance with UCOA coding requirements.

PROCEDURES:

Obtain a copy the school entity’s signed acknowledgment of the UCOA File Validation Totals Report received from the RI Department of Education (RIDE). Obtain a detailed transaction level file from the school entity’s accounting system, which corresponds, with the final UCOA upload file provided to RIDE.

Describe procedures for selecting the sample, the sample size selected, and the tests performed. Please note - If an interim file is used for selecting the sample, reconcile changes from the interim file to the final upload, and determine the significance of any changes and whether additional testing is warranted.

RESULTS:

For each instance of noncompliance, enter the transaction detail in the table below. Highlight the account number segment that is not in compliance, as shown in the example below. Describe the purpose of each transaction, the error(s), and correction(s) immediately following the table. Rows may be added or deleted from the table, as necessary.

Item	Fund/ Subfund	Location	Function	Program	Subject	Object	Job Class (personnel costs only)	Date	Payee	Amount	Corrected per final UCOA file
A	1000000 0	05105	214	10	2500	5111 0	1712	03/15/1 2	Nurse Employees	\$5,000.00	Yes
B	XXXXX XXX	XXX XX	XXX	XX	XXX X	XXX X	XXXX	XX/XX /XX	XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXX	\$X,XXX,X XX.XX	Yes/No

C	XXXXX XXX	XXX XX	XXX	XX	XXX X	XXX X	XXXX	XX/XX /XX	XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXX	\$X,XXX,X XX.XX	Yes/No
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A – The regular salaries for nurse employees were charged to Function 214, but should have been charged to Function 216.

B -

C -

SCHOOL RESPONSE: (if applicable)

REQUIREMENT 2:

Total activity (revenue and expenditures) of the entity for the fiscal year as reported (uploaded) to the UCOA database as of the final upload date shall be reconciled to the total activity within each Fund/Subfund of the municipal school district, regional school district, collaborative, or charter school as reported in the final audited financial statements.

PROCEDURES:

Subtotal the final UCOA upload file by revenues and expenditures under each Fund/Subfund and reconcile to the audited financial statements (GAAP-basis). Please note - reconciliations are not required for Trust Funds and Agency Funds.

RESULTS:

Identify each variance between the UCOA upload file and audited financial statements in the table below. Each variance should be listed separately for total revenues and total expenditures under each UCOA Fund/Subfund. Include variances, which are proper reconciling items. Provide a description of each variance. When there are multiple causes for a variance, identify the specific dollar amount that corresponds to each cause. The description of the variance may be included within the table, but if more space is required, the description may be provided immediately following the table. Rows may be added or deleted from the table, as necessary.

				Variance Amount	Description of Variance
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UCOA Fund/Subfund Number	Name of Fund/Subfund	Amount Per UCOA Upload	Amount Per Audited Financial Statements	Proper Reconciling Items	Errors & Unexplained Variance	
Revenue variances:						
XXXXXX XX	XXXXXX XXXX	\$XX,XXX,X XX.XX	\$XX,XXX,X XX.XX	\$XX,XXX,X XX.XX	\$XX,XXX,X XX.XX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXX XX
XXXXXX XX	XXXXXX XXXX	\$XX,XXX,X XX.XX	\$XX,XXX,X XX.XX	\$XX,XXX,X XX.XX	\$XX,XXX,X XX.XX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXX XX
Expenditure variances:						
XXXXXX XX	XXXXXX XXXX	\$XX,XXX,X XX.XX	\$XX,XXX,X XX.XX	\$XX,XXX,X XX.XX	\$XX,XXX,X XX.XX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXX XX
XXXXXX XX	XXXXXX XXXX	\$XX,XXX,X XX.XX	\$XX,XXX,X XX.XX	\$XX,XXX,X XX.XX	\$XX,XXX,X XX.XX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXX XX

SCHOOL RESPONSE: (if applicable)

REQUIREMENT 3:

Costs for debt service and lease and rental of buildings must be recorded consistent with specific UCOA requirements. Amounts charged to Function 421 should be reconciled to the sum of expenditures considered debt service for financial reporting purposes and annual or longer-term leases for rental of the main school facility (*or facilities if the school has more than one location*). Short-term leases should not be included in Function 421.

PROCEDURES:

Subtotal expenditures posted to Function 421 (Debt Service) in the final UCOA upload file and compare to the amounts reported in the audited financial statements for debt service payments and rental payments under long-term lease agreements for main school facilities. Determine the reasons for any variances.

RESULTS:

Describe results.

SCHOOL RESPONSE: (if applicable)

REQUIREMENT 4:

Payroll costs are subject to various UCOA coding requirements. Determine if the entity's procedures for payroll related costs support the following UCOA requirements:

- a. Benefit costs are charged in the same manner as direct wages – e.g., to the same Fund/Subfund, Location, Function, Program, Subject, and Job Classification and in the same proportion when allocated to more than one Fund/Subfund. Healthcare benefit costs are allocated consistent with the employees' wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.
- b. The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program, or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)
- c. Wages for Short-term substitute teachers are charged to Subject 0000. Wages for short-term teacher support personnel and long-term substitute teachers should follow the Location, Program, and Subject as used with the employees whom they are replacing.

PROCEDURES:

Determine whether the entity's payroll system directly interfaces with the entity's general ledger accounting system and whether it is designed to post directly to the appropriate UCOA account or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA account. Determine if the entity has reasonable and sufficient procedures in place to meet the payroll and related benefit requirements of the UCOA.

Review one payroll period posting to assess compliance with UCOA payroll allocation requirements (this may be satisfied through payroll transactions tested in the sample of transactions tested for compliance in compliance testing requirement No. 1). Describe sample selection process. (Please note - If the entity is using the intra-fund UCOA allocation tool, allocations are performed within the UCOA database, and therefore testing is not required for benefit allocations made within that Fund/Subfund.)

RESULTS:

Describe payroll system and whether the system interfaces directly with the general ledger system and whether it is designed to post directly to the proper UCOA code or if there are a significant amount of manual adjustments and journal entries to allocate payroll costs. Conclude if the entity's procedures are reasonable and sufficient to meet the payroll and related benefit requirements of UCOA.

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

SCHOOL RESPONSE: (if applicable)

REQUIREMENT 5:

Professional Development costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting Professional Development costs for three of the five Object accounts:

- a. Object 51113 represents the portion of a teacher's regular salary, as specified in a contract or agreement, for professional days.
- b. Object 51302 represents additional payments made to a teacher for after-hours school-based professional development.
- c. Object 53301 represents third-party vendor costs (on-site or off-site) for providing professional development. For instruction-related personnel, the professional development costs should be posted to Function 222. For all other personnel, the professional development costs should be posted to the same Function account as the base wages.

PROCEDURES:

Review union contracts and adopted budget to identify professional development offered to teachers.

Review payroll records to verify compliance with UCOA rules for Objects 51113 and 51302. (This may be satisfied by testing one payroll record which includes postings to both Object accounts and which may have been selected in compliance testing requirement 1 or 4).

Describe procedures for selecting a sample of transactions posted to Object 53301 (Expenditures selected in Compliance Testing Requirement No. 1 may be also used to satisfy this compliance testing requirement). Examine the supporting vendor invoice to identify the specific employee(s)

receiving professional development services and trace the employee name to the payroll record to determine the Function account to which base wages (Object 51113) were charged. Verify the professional development costs were posted to the proper Function account based on the UCOA rules for the Function series.

Describe any additional procedures performed.

RESULTS:

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

SCHOOL RESPONSE: (if applicable)