



Montana
Office of Public Instruction
Denise Juneau, State Superintendent

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DATE: September 2015
TO: Auditors of Montana School Districts
FROM: Kathleen Wanner, School Finance
RE: School District Audits for FY 2015

This letter is intended to provide new information and updates regarding issues that affect Montana school district audits for the fiscal year ended June 30, 2015. The information provided was drawn from the review of FY2014 audits, the FY2015 Trustees Financial Summary (TFS) and the 2015 Montana Legislative session. Throughout this letter are hyperlinks to related web pages. Included at the end of the letter is an Enrollment / ANB sample schedule.

Request for Information – Standard Audit Contract

Requests for information pertaining to potential financial or legal compliance issues relating to a school district or cooperative may be sent to: Debbie Casey, OPI, P.O. Box 202501, Helena, MT 59620-2501 or fax requests to (406) 444-0509. Email requests may be sent to dcasey@mt.gov. Please allow two weeks for a response. If requesting information regarding multiple entities, list the districts/cooperatives by county to expedite the turnaround of information.

Submission of Audit Reports to OPI

A copy of the audit report is required to be sent to the OPI in 2-7-503 MCA regardless of the level of the audit performed. *Audit reports should be sent electronically via email.* Send the pdf version of the audit reports to OPIAuditReports@mt.gov. Continue to send information to the Department of Administration in the format they request.

School Finance Division Website

The OPI School Finance Division website includes pages pertaining to Auditor Information and Entitlement Payments. Included on the *Infor for Auditors* site are the TFS Reports, Enrollment Reports, and the Value of Donated Commodities reports by fiscal year.

2015 Legislative Session

The OPI has provided a K-12 [Legislative](#) Summary which entails information pertinent to school districts for FY2015, 2016 and 2017.

Improvements for School Safety and Security

Senate Bill 348 (2013) provided the ability for a school to transfer state or local monies from funds, except the Retirement and Debt Service funds, into the Building Reserve fund in an amount not to exceed the school district's estimated costs of improvements to school safety and security. SB 348 set a deadline of June 30, 2015 for districts to spend or encumber the monies or send them back to the fund(s) of origin. Due to the short duration of this law, it was not codified.

During the 2015 Legislative session, [SB 213](#) extended the deadline set by the 2013 legislature from June 30, 2015 to June 30, 2019. A district must notify the Office of Public Instruction it has an emergency operations plan in place before the district can use the authority to transfer funds. As of the writing of this letter, this legislation has yet to be codified but does reference 20-1-401 MCA.

Continuing Legislation

Ending Fund Balance Limits

Beginning July 1, 2020, the balance of a school district's flexibility fund may not exceed 150% of the school district's maximum general fund budget. The implementation date was changed by SB 175 (2013) from July 1, 2013 to July 1, 2020.

Bidding Requirements

SB 77 (2013) increased the bidding requirement for public entities to \$80,000. This change was effective March 28, 2013.

Pupil Transportation Fund and Reporting

Payroll Charges

Many schools charge a portion of the superintendent's and clerk's salary and benefits to the transportation fund. Please audit whether the portion of an administrator's payroll costs charged to the transportation fund are reasonable. The portion of the person's time spent on transportation issues should approximate the portion of the person's salary charged to the transportation fund. See ARM 10.10.303 (APPENDIX E). We have indications the percentages of administrator's salaries charged to the transportation fund are as high as 20%, even when very little or no time is spent on transportation issues. Motivation is very high to move costs inappropriately to funds to escape the general fund "caps."

Vehicle Purchases in the Transportation Fund

Please verify that the transportation fund purchased only yellow school buses that are used on school bus routes. Activities and athletics buses and non-bus vehicles cannot be purchased from the transportation fund. **Replacement** buses for activities and athletics can be purchased using the bus depreciation fund. The transportation fund cannot be used to purchase drivers' education cars or vehicles intended to be used for employee travel. The drivers' education fund or general fund may purchase a drivers' education car.

Transportation for Special Education Services

A school district may not claim state and county transportation reimbursement for the district's or cooperative's conveyance of students to and from alternative sites, buildings or other locations where services or programs are offered during the school day, such as partial-day special education services provided by a cooperative or classes at different buildings of the school district or community. Pursuant to [20-10-145](#), MCA, school districts may claim state and county transportation reimbursement for the conveyance of a student from their residence to and from the location of the student's center based day program for the school day, such as a day treatment program or special education preschool program that is operated by a cooperative or district interlocal agreement. [ARM 10.7.112](#)

Transportation Changes in Bus Routes

When the board of trustees changes the mileage per day, or if a different school bus is used on the route, or a change in bus driver, the trustees must enter an amended TR-1 bus route form. The effective date of change must be recorded, and submit it first to the county transportation committee for approval, then must be submitted electronically to the Office of Public Instruction. In addition, a hard copy of each form must be signed by the board chair and submitted to the county superintendent. A copy of the signed claim form must be maintained at the district. Please verify bus route forms and individual contract forms are signed by the board chair and maintained at the district.

Transportation Reimbursement Claims

School districts must send a hard copy of each claim form signed by the board chair and submitted to the county superintendent. A copy of the signed claim form must be maintained at the district. Please verify that bus route claims and individual contract claims are signed by the board chair and maintained at the district.

Activities, Athletics, and Employee Travel

Costs of providing activities and athletic trips travel costs for employees are NOT allowable expenditures to the transportation fund. Tighter general fund budgets are motivation to move these costs to other funds. We request your increased audit scrutiny.

Mandatory 10 Hours of Bus Driver Training

Each district is required to create and implement a driver training program that meets the needs of the district and bus drivers. A program must be provided that includes 10 hours of in-service training that shall include, but not limited to: Pre and post trip inspections, passenger boarding and de-boarding procedures, driving skills, defense driving, railroad safety, passenger management, safety and emergency procedures, and special needs sensitivity and awareness. Each training opportunity for every driver must be documented and maintained by the district. A training schedule must be set per fiscal year or school year, but not both.

Valid Bus Driver Credentials

As per [20-10-103](#), MCA in order for school districts to receive state and county transportation reimbursement, they are required to have on file a valid CDL with a passenger and school bus endorsement, signed First Aid card by an authorized instructor, and a valid Medical Certificate for every bus driver assigned to their district. In addition, a signed copy of their state certification (TR-35) must be signed and sent to the county superintendent. A copy of the signed certificate must be maintained at the district. If these documents are not on file, the district risks forfeiting their state and county transportation reimbursement. Effective August 8, 2014, drivers are required to obtain CPR Instruction in conjunction with their CDL, First Aid, and Medical Certification. CPR Instruction must be signed by a certified instructor, and be received after an initial in-person training of at least four hours. (ARM 10.64.201, 10.7.111).

Background Checks on Newly Hired Drivers

Effective August 8, 2014, newly hired bus drivers are required to pass a name-based, or fingerprint-based, criminal background check prior to employment with a school district or contractor. (ARM 10.64.201, 10.7.111). A driver may not have any record of a criminal offense that indicates the driver may be dangerous to children. In addition, the driver must have a safe driving record, which may not have evidence of any of the following:

- More than one moving traffic violation within any 12 month period of the preceding 36 months.

- Any conviction for driving under the influence of alcohol or drugs within the preceding 36 months.
- A conviction resulting in mandatory revocation or suspension of a driver's license in the previous five years.

As stated in 20-10-103, MCA, in order for school districts to receive state and county transportation reimbursement, they are required to have on file a valid CDL, signed first aid card from an authorized instructor, and a valid Medical Certificate for every bus driver assigned to their district. In addition, a signed copy of their state certification (TR-35) must be signed and sent to the county superintendent. A copy of the signed certificate must be maintained at the district. If these documents are not on file, the district risks forfeiture of state and county transportation reimbursements.

Student Count for ANB – Reporting Procedures

Beginning in the 2014-2015 school year, student counts for ANB is based on two enrollment count periods again: The first Monday in October and the first Monday in February. The data is imported into MAEFAIRS from the Achievement in Montana Schools (AIM) system. MAEFAIRS imports the minimum enrollment information necessary to determine a school district's Average Number Belonging (ANB). For information regarding enrollment and ANB see the letter located on the OPI website at the following link: http://opi.mt.gov/pdf/SchoolFinance/Enrollment/ANB_Info.pdf. Contact Nica Merala at nmerala@mt.gov or (406) 444-4401.

Achievement in Montana (AIM)

Please take into account the following information when checking enrollment:

1. Review student enrollments where enrollment end date falls close to count date. Once a district receives notice that a student has transferred, the enrollment end date should be set to the date the student was last present in the district. If the district has not received notice that a student has transferred, they should continue the enrollment per district policy (usually carry for 10 days) and then end date the enrollment record.
2. The district must have an agreement with the MT Youth Challenge Academy and/or Job Corps program for students that are being counted for ANB. The credits these students are taking must meet the district's requirements for graduation at a school in the district and must be reported by the Job Corps or MT Youth Challenge Academy to the student's resident district. The district should retain documentation. 20-9-707 and 20-9-311, MCA.
3. Verify district records for students identified as less than full time (aggregate hours not equal to F). The district should have documentation or schedules indicating how many classes a student is taking and that these hours calculate to the appropriate aggregate hours.

If you have any questions regarding AIM please call the AIM Help Desk at 1-877-424-6681 or e-mail them at opiainhelp@mt.gov. The AIM webpage is <http://opi.mt.gov/AIM/Index.html>.

State Tuition Payment for State Placement

Districts receiving payments for State Tuition for State Placement (revenue code 3117) may not be in compliance with [20-5-324](#), MCA. Please continue checking to assure districts are receiving funds correctly.

In accordance with ARM 10.20.106 students in day treatment programs or county or regional detention facilities may **not** be included for the purposes of calculating ANB. Districts may use the district tuition fund for education services and claim reimbursements for ANB under 20-5-324 MCA, using the form FP-15. Districts are not reimbursed for expenses of students in county or regional detention facilities, but must use

the district tuition fund or impact aid fund for detention center educational charges pursuant to 41-5-1807 MCA. If you have any questions please contact Nicole Thuotte at (406)-444-4524 or nthuotte@mt.gov or Janelle Mickelson at (406)-444-3249 or jmickelson@mt.gov

FP-14 Student Attendance Agreements

In accordance with 20-5-320, MCA, every student attending school outside the resident district must have an FP-14 Student Attendance Agreement on file with the district they are attending (District of Choice). The District of Choice must have the agreement approved and signed by the chair of the board of trustees. The agreement must then be sent to the student's District of Residence. The District of Residence should have their board chair sign the form and return it to the District of Choice. Many resident districts are refusing to sign the forms. In order to receive ANB for parent-initiated out-of-district attendance, the District of Choice must approve the request and send a copy of the approval to the resident district. If the District of Residence refuses to sign the form and/or return it to the District of Choice, the student may still attend and the District of Choice is eligible to receive ANB. Please verify that all students attending school outside the resident district have an approved FP-14 Student Attendance Agreement on file with the district and the District of Choice sent the approved forms to the District of Residence.

In-District Special Education Permissive Levy Calculator

In the 2013 Legislative Session, the use of the district tuition fund was expanded to include educational expenditures for special education students residing within a school district. Under the provisions of 20-5-324, MCA, the district may use the permissive tuition levy to pay for the cost of providing a free appropriate public education to any child with a disability who lives within the district. The amount of the levy imposed is limited to the actual cost associated with educating a child with a disability, minus: 1) the student's state special education payment; 2) the student's federal special education payment; 3) the student's per-ANB amount; 4) the prorated portion of the district's basic entitlement; and 4) the prorated portion of the district's general fund payments in 20-9-327 through 20-9-330, MCA for each student. To assist districts with the calculation of the levy amount, the [In-District Special Education Permissive Levy Calculator](#) was created. Districts were advised that they could levy actual cost in the year after attendance, or estimate in the year of attendance. If they were to levy in the year of attendance, they would need to re-calculate the levy at the end of the year and adjust the next year's levy accordingly. Please verify that districts using this calculation have: 1) calculated on a per-student basis (rather than total special education cost); and 2) that any estimated levy was recalculated at the end of the year and an appropriate adjustment was made to the following year's levy.

Excess Reserve Changes

Please see the individual Montana school district budget report for Excess Reserves information. The budget reports are posted on the OPI website -- [BUDGETS](#)

Enrollment / ANB Supplemental Schedule

<u>Fall Enrollment-El District</u>	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
a) Kindergarten Part	111	111	0
b) Kindergarten Full	309	309	0
c) Grades 1-6	2,280	2,281	+1
d) Grades 7-8	786	784	-2

<u>Part-time Students</u>	<u>Per Enrollment Reports</u>				<u>Per District Records</u>				<u>Difference</u>
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
K-Part	0	0	N/A	N/A	0	0	N/A	N/A	0
K-Full	0	0	0	0	0	0	0	0	0
1-6	0	0	0	1	0	0	0	1	0
7-8	1	2	0	0	1	2	0	0	0

<u>Fall Enrollment-HS District</u>	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
a) Grades 9-12	1,193	1,194	+1
b) 19-year olds Included	4	4	0
c) Youth Challenge	2	2	0
d)			

<u>Part-time Students</u>	<u>Per Enrollment Reports</u>				<u>Per district Records</u>				<u>Difference</u>
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	1	2	4	12	1	2	4	12	0

This documentation must be provided for fall and spring counts. In addition to this information, high school districts should also be reviewed for early graduates in the spring counts.