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Legislative Audit Bureau

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TO: Senator Eric Wimberger and
Representative Robert Wittke, Co-chairpersons
Joint Legislative Audit Committee

FROM: Joe Chrisman
State Auditor 

SUBJECT: Proposed Audit of School District Financial Monitoring—Background Information

At your request, we have gathered some background information that the Joint Legislative Audit Committee may find helpful in considering an audit of the efforts of the Department of Public Instruction (DPI) to monitor school district financial information.

DPI is organized into five divisions and the Office of the State Superintendent. The Division of Finance and Management provides consultative services to school districts and the public on school finance, management, and organizational issues. It also administers state and federal aids and grants to school districts and other entities. The Division's School Financial Services Team has responsibility for matters related to public school finance and management services, governmental accounting and auditing, data management systems, and relevant state and federal policies.

Under s. 120.14, Wis. Stats., a common or union high school district is required to engage an auditor to audit the school district's accounts at the close of each fiscal year. Chapter PI 14, Wis. Adm. Code, specifies the nature of the audit work to be performed and the information that is required to be reported to DPI. This information includes an auditor's report on the school district's financial statements, a financial audit statement for the fiscal year, a management letter commenting on material weaknesses in internal control and identifying possible noncompliance with any legal provisions related to finance, an auditor's communication to those charged with governance, federal program audit reports and schedules, and state program audit reports and schedules. DPI informs school districts that this reporting package of financial information is to be submitted each December. Once submitted, DPI indicates the information is reviewed by designated staff on the School Financial Services Team. If DPI determines that any audit information is not in compliance with the minimum standards for an audit prescribed in administrative rule, DPI is required to refer the matter to the submitting school district for corrective action.

An audit of DPI's efforts to monitor school district financial information could:

- evaluate the policies and procedures DPI has in place to guide its staff in its review of submitted financial information and determine whether DPI consistently followed its policies and procedures;
- determine the time DPI staff spend reviewing and following up on the school district financial information reported to DPI annually;

